The Case for Alberta

PART I

Alberta's Problems and Dominion - Provincial Relations

GOVERNMENT OF THE PROVINCE OF ALBERTA
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Addressed to THE SOVEREIGN PEOPLE of Canada and their Governments.

FOREWORD

This comprehensive review of Alberta's social and economic position, and the relations of the Province to both the Dominion as a whole and to other provinces is submitted to the Sovereign People of Canada at a time when all provinces have been reviewing their position in regard to Dominion-Provincial relations.

Alberta was among the first in asking for the appointment of a Royal Commission to consider the many problems which beset Western Canada. It was a matter of deep regret to the Government of the Province that when a Commission was set up by the Dominion Government, it was of such a nature and it was appointed under such circumstances that the Alberta Government was obliged to register a strong protest. Without in any way reflecting upon the integrity of the personnel of the Commission it was the considered opinion of the Alberta Government that neither the qualifications of the personnel as a whole, nor the terms of reference which were to guide them, would yield a recognition of the fundamental causes of our troubles or an appreciation of the action necessary to deal with them. Under such terms of reference, and with a court of inquiry whose known views were bound by orthodoxy, the case was for all practical purposes prejudiced. The recommendations for increased centralization of control by the Dominion Government and by the Bank of Canada which are likely to result from such an inquiry will not be acceptable to the people of Alberta. Moreover the adoption of any such recommendations would unquestionably intensify the troubles and problems which beset Canada.

The Government of Alberta desires to repudiate any responsibility for the Royal Commission which has been set up and for the outcome of its investigation. The Province was not consulted either in regard to the personnel or the terms of reference, and both Saskatchewan and Alberta are without representation on the Commission. In all the circumstances the Government of Alberta has been obliged to withhold its recognition of the Commission. It has not presented any brief to this body. The material in this publication was prepared, in part, in confident anticipation that the inquiry into Dominion-Provincial relations would be conducted on very different lines.

Therefore, the Government of Alberta is submitting its case for the Province to the highest court in the land—the Sovereign People of Canada—confident that in this quarter it will receive the unbiased consideration which the grave nature of our problems demands.

Part I deals with the various aspects of Alberta's problems within the framework of the orthodox concept of our present social system.

Part II is devoted to an analytical examination of the realities of these problems and the manner in which they should be remedied.

The Government of Alberta desires to stress the extreme gravity of the situation and it seeks the closest co-operation of all provinces in dealing with this effectively and speedily.

The people of the Province, we believe, are willing to support the constructive suggestions submitted in the concluding chapter, and to put these into effect within their own boundaries without interfering with any other province's rights or privileges.

Surely no further proof should be required as to the sincerity of purpose and the conviction which accompanies the publication of this review.

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PART I

CHAPTER I.

Introduction

NATIONAL UNITY SHOULD BE MAINTAINED

The task of preserving a high degree of national unity and a strong national spirit in Canada is difficult under any conditions and at any time. The geographical structure of Canada is in itself a constant challenge to the stability of Confederation. The division of the vast area from the Atlantic to the Pacific into four distinct geographical units, each having its own type of economic life, is a constant and subtle incentive to the growth of provincialism and sectionalism. The barriers created by nature between the various sections prevent that natural and regular intercourse between peoples which promotes good understanding and good fellowship. Leaders of Canadian thought must therefore be constantly vigilant, not only to develop a spirit of tolerance, understanding and goodwill, but also to see that national policies do not discriminate unduly between sections and that the machinery of Government functions smoothly to promote the welfare of the people in each area.

DIVERSITY OF VIEWPOINT

That serious problems exist is not doubted. The major task is to discover the detailed character of these problems. The Prairie Provinces have problems which differ markedly from those of the industrialized central areas. Even among the former, settlements differ in age and composition. The natural resources and geographical positions of the various Canadian Provinces create separate difficulties. Alberta, historically and economically the most recently developed of the Provinces, has problems which differ from those even of Saskatchewan and Manitoba. All the Provinces, however, have many interests in common and similarities in cultural traditions and ideals, while many of the difficulties faced by Alberta are also found in the other Provinces.

THE DIFFICULTIES OF A NEW COMMUNITY

A united Canada presupposes a certain degree of cultural unity and a reasonable degree of uniformity of standards of living. The fact that the West was settled so recently involves the further fact that much of the settlement was by peoples from areas of fairly high standards of living, peoples anxious to establish in their new homes as quickly as possible as high standards of living as in the home land which they had left. The

standard of living of the peasantry of an earlier century could not satisfy the settlers of the twentieth century, and is in fact not desirable. The demands upon the local and Provincial Governments for good roads, communication facilities, schools, public health and other social services, therefore, have been persistent as in the older Provinces. The rapid growth of the population in the earlier years—many settlers bringing with them considerable sums for investment—caused the inevitable expansion boom with all its usual consequences both during that period as well as during the period when the boom subsided as the *rate* of settlement began to decrease. The scattered, haphazard character of the settlement policy accentuated the difficulties of the growing community which would have been acute even in a more mature and compact settlement.

THE VARIABLE INCOME OF AN AGRICULTURAL PROVINCE

That the Prairie Provinces are dependent largely on agriculture is a matter of common knowledge. The highly variable income due to the vagaries in the price and yield of wheat and other products has created further difficulties. The crop yield is influenced by hail, frost, temperature, precipitation, all of which have been highly variable. Probably in no other large area of the North American Continent is the dependence of the people on the behaviour of the weather so marked; if there is a succession of grain crop failures the economic life of the area is paralyzed. The people are deeply conscious of this fact, the significance of which cannot be over emphasized.

THE RAPID GROWTH OF DEMAND

At the time of Confederation the functions of Provincial Government were limited to furnishing earth roads, schools and the protection of property and persons. The taxing powers of the Provinces were designed to meet these few essential needs. This Province was obliged to meet all the demands of rapid settlement as well as the demands for increasing governmental services at a time when the older Provinces, with their longer period of development were already finding inadequate the sources of revenue available to them.

A COMMON CULTURAL STANDARD ESSENTIAL

Certain general principles should control the relations of the people of a confederation as among themselves, as well as the relations between the Provincial and Federal Governments. Successful confederation cannot continue where benefits and burdens of national policies are unequally distributed. The benefits of policies instituted for the general good should not in practice be restricted to particular groups or areas. Where

national policy, deliberately or by force of circumstances, impinges unequally on various groups or areas, there should be some corresponding compensation for the loss. When a national calamity falls heavily upon a particular area, part of the burden should be carried by the whole. There must be freedom of movement and communication to ensure the development of a common cultural standard, which must include at least an approximation to similarity in standards of living. A nation-wide minimum standard of living for all areas is a matter of national concern. The division of functions between the Governments should result in each undertaking those functions which it can best administer.

THE BASIC PRINCIPLE OF CONFEDERATION

This last principle was undoubtedly one of the fundamental conceptions of the Fathers of Confederation and is embodied in the sections of The British North America Act providing for the distribution of legislative authority between the Dominion and the Provinces. The whole intent and purpose of that Act was to set up a central Government which would have legislative authority over matters affecting the general welfare of the whole Dominion and the relationship of the Dominion with foreign powers; the Provinces on the other hand were to retain full legislative authority over all matters of local interest and concerning the property and civil rights of the people of each Province.

SHOULD LEGISLATIVE AUTHORITY BE TRANSFERRED?

The Government of Alberta does not concur in the view that the constitutional structure so carefully planned by the Fathers of Confederation has materially failed, that is in so far as the distribution of legislative powers is concerned. Neither does it share the view taken by some that in order to meet adequately the problems of the day there is any need for a wide transference of powers and legislative authority from the Provinces to the Dominion or from the Dominion to the Provinces. If the Courts by a series of judgments have placed upon the Provinces legislative responsibility for many of the new services which were entirely unknown at the time of Confederation, it does not necessarily follow that the constitution should be amended so as to transfer such jurisdiction to the Dominion Government. In the great majority of cases it will be found that the decisions of the Courts conform to the principle that the responsibility for any function should be left with that Government which can most readily perform that function.

THE SPIRIT OF OUR CONSTITUTION

Indeed the people of Canada may very well consider whether the Dominion and the Provincial Governments have in fact taken full advantage of the machinery provided by The British North America Act to solve to their mutual satisfaction the numerous

problems that have arisen from time to time. In other words, have the Dominion and Provincial Governments approached their difficulties with the proper spirit of a national family, with a view to providing for the people of Canada the fullest enjoyment of the benefits that can accrue from the scientific and systematic development of all the resources of the Dominion? Or has there been too great a tendency for each to take a narrow and strict view of the letter of the constitution rather than to act in accordance with its spirit? After all, the people of other confederations have had to meet the changing responsibilities of the present generation while working under constitutions as old as that of this Dominion.

The people of Canada are now having an opportunity of learning of some of the difficulties that have confronted the several Provinces in the actual working out of Confederation. It is hoped that each part of Canada will view the difficulties of the other parts in the kindly and sympathetic spirit with which members of a family view the fortunes or misfortunes of other members. Such a spirit of *goodwill* and tolerance throughout Canada will go far in assisting in the solution of many of the problems facing the Provinces, which, unless solved, will lead to even greater troubles in the future.

ALBERTA MUCH INVESTIGATED

The Province of Alberta has been very much investigated within the past two years. There was in the first place the investigation by a Committee representing the holders of Alberta Bonds. The Report to that Committee is a large volume with many tables of statistical information intended to support the conclusion that this Province could continue to meet its public debt charge, without reducing the contractual rate of interest, by means of an increase in an already oppressive taxation. The following year there was the investigation by the Bank of Canada, which revealed some of the causes of the present financial difficulties of the Province. The results of that investigation have been made public. The Government of the Province readily made available whatever information was required by both these investigating bodies.

In the pages that follow the Government now seeks to set forth, for the information of the people of Canada and their Governments, a statement of the handicaps which have been faced in the development of the material resources of this Province and the financial disabilities which have resulted.

The Government of Alberta believes, however, that, while many of the problems of the Province may be alleviated by a revision of the financial relationship now existing between the Dominion and the Province, only by a fundamental reform of the financial system can a complete solution be found for the grave problems of our nation.

CHAPTER II

The Economy of the Province of Alberta

In 1905 the Provinces of Alberta and Saskatchewan were carved out of the North-West Territories, thus establishing as Provinces all that part of the territories lying between the western boundary of Manitoba and the Rocky Mountains, and between the international boundary line and the sixtieth parallel of latitude. Alberta is slightly greater in area than either of the other Prairie Provinces, comprising as it does 255,285 square miles or more than 163 million acres. The surveyed portion of the Province comprises 87,889,701 acres or slightly over one-half the total area, and of this surveyed area approximately 50,209,000 acres have been alienated, patented or otherwise granted.

It is submitted that a careful study of the economy of the Province will support the following assertions: Firstly that since its formation in 1905, Alberta has made a notable contribution to the wealth of Canada. This will probably be accepted without argument. Secondly, that its development has been thwarted, to a greater extent than that of any other Canadian Province with the possible exception of Saskatchewan, by climatic conditions, geographical position and by the operation of national policies. Thirdly, that it probably offers greater possibilities of future land settlement than any other Province, should conditions in Canada again justify policies of land settlement.

The Canada Year Book has for years pointed out that ninety per cent of the total area of the Province lies south of the isotherm of 60 degrees F. mean July temperature, which is generally considered as the northern limit for the economic production of cereals. Supporting this statement a series of maps published by the Dominion Meteorological Department discloses the interesting fact that the isothermal lines, as they approach the Alberta border from the east, turn abruptly and steeply northward. This is particularly true for the months of April to September, the months from seed time to harvest in the northern parts of the Province. For example, the line of 44 degrees F. mean April temperature, starting at a point at approximately Township Forty at the eastern boundary of Manitoba, works gradually northward, crossing Saskatchewan at approximately Township Sixty, but on reaching the Alberta border sweeps abruptly northward to a point north and east of McMurray at approximately Township Ninety-five, and thence in a north-westerly direction through the settlement of Fort Vermilion. Other maximum and

minimum temperature lines for that month move in a similar manner.(1) These records would seem to prove that, climatically at least, the northern part of Alberta is better adapted to the growing of cereal crops than similar parts of the other Prairie Provinces.

It is also peculiarly significant that the southern edge of the Precambrian Shield also turns abruptly northward near the eastern boundary of Alberta and crosses the north-eastern corner of the Province near Lake Chipewyan. In the submission of the Province of Saskatchewan to the Royal Commission on Dominion-Provincial Relations, it is stated that "North of the 54th parallel the shorter growing season and the Precambrian Shield, with its numerous rivers, lakes and swamps, its coniferous forests and scanty soil, discourage agricultural settlement." If, therefore, soil conditions are otherwise suitable, the fact that such a small area of the Province of Alberta falls within the Precambrian Shield, demonstrates the possibilities of this northern area for certain types of agriculture. Even if Alberta may not benefit directly from the mineral production of this Precambrian Shield, still the mineral development now going on at Great Bear Lake is really tributary to this Province, especially to the City of Edmonton.

TOPOGRAPHY AND SOIL CLASSIFICATION

The Province as a whole may be described as a great upland plateau, rising towards the west through the foothills to the Rocky Mountains and sloping northwards from an elevation of from two to four thousand feet in the south to one thousand feet in the north in the vicinity of Lake Athabasca. This vast plateau may be said to be divided into four distinct parts. Like Saskatchewan, the southern part of the Province is comprised of the open treeless prairie belt, a portion of which in the south-eastern part of the Province has suffered severely from drought conditions. This prairie belt gradually gives way in the south central part of the Province to what is called the park belt which is wooded country widely interspersed with open prairie. This park belt, in turn, gives way in the north and north-western part of the Province to the great wooded belt. The foothills of the Rocky Mountains form the fourth part. From a line west of Olds on the main line of the Calgary and Edmonton railway to the international boundary, the foothills country is ideally suited to ranching. In that area may be found some of the largest and finest ranches in Canada, including the one that has made this area internationally known, the ranch of H.R.H. the Duke of Windsor.

(1) Meteorological Service of Canada normal, mean, maximum and minimum temperature for the month of April.

The soils of Alberta may be divided broadly into four major soil belts. The wooded or grey soil belt is the largest, and covers about two-thirds of the entire Province. This belt comprises a strip on the west flank of the Province and practically the entire unsurveyed area, including the Peace River District, and comprises more than 100 million acres in extent. The black soil belt occurs adjacent to the wooded soil belt on the east and south. Its greatest development is found in south-central Alberta, with its widest east and west dimension in the neighborhood of Edmonton. It comprises about eight million acres in extent. South and east of the black soil belt lies the dark brown soil belt. This consists of an area approximately thirteen million acres in extent. Still further south and east lies a brown soil belt which occupies all of south-eastern Alberta. Its area is about thirteen million acres. The delineation of these belts is shown in a number of publications of the Department of Soils, College of Agriculture, University of Alberta.(1)

Within the great wooded soil belt, occur certain areas of soils which are not typical of this belt but which are more closely related to the black soils. Such areas are found in the neighbourhood of High Prairie, Grande Prairie and Spirit River. These smaller areas, however, constitute a small percentage of the total area of the wooded belt.

From this brief survey of the topography of the Province, two questions emerge of major interest not only to the people of this Province but to the whole of Canada. The first relates to the dry belt in the south-eastern portion of the Province. This area, extending into the south-western part of Saskatchewan, has suffered so severely from drought over a period of years as to make necessary elaborate plans for rehabilitation and re-settlement. This subject is discussed in a later chapter. Secondly, the reference to the great wooded area is directly connected with the possibility of future land settlement policies in Canada. Climatically, it has been shown that practically the whole area is suited to the growth of cereal crops. To what extent the soil is adapted to agriculture is not so well known. As no survey has been made of the greater portion of this area, there are no records to indicate the general nature of the soil.

It is known, however, that wheat has been grown to maturity by the Mission Fathers at Fort Smith on the 60th parallel of latitude, the northern boundary of Alberta. In the Peace River District, wheat matures a few days earlier than in the southern portion of the Province, due, no doubt, to longer hours of sunshine. Settlement has already pressed further north in Alberta than in any other area of the Dominion. In Manitoba, Township

(1) Wooded Soils and their Management (1932) by F. A. Wyatt and J. D. Newton.

Forty marks roughly the northern limit of settlement; in Saskatchewan, the northerly limit is Township Fifty-four, while in Alberta, agricultural settlement is found as far north as Township Ninety-three, with a small settlement still further north at Fort Vermilion at Township One Hundred and Ten. Studies in the treatment of the grey wooded soils are being conducted by the Department of Soils of the University of Alberta, and this Department operates a small experimental station at Breton, which is a typical grey soil area. By treatment and the proper use of fertilizers, yields have been obtained nearly as high as in the black soil territory around Edmonton. It is admitted that a substantial part of the unsurveyed area consists of peat and muskeg lands. So far very little work has been done in studying the treatment of these types of soils, but it is known that muskeg land properly treated may become very excellent agricultural land.

Unless it is to be accepted that no further land settlement in Western Canada should take place, it would seem to be of national importance that this large area should be the subject of early survey and study. This would involve aeroplane photographic surveys from which the whole area could be mapped so that its topography could be carefully studied. Professor Wyatt suggests that at least ten experimental stations should be opened in this area in which experiments could be conducted in a period of from five to eight years. He estimates that in this wooded area from twenty to forty million acres could be developed into suitable agricultural land. The results of such study would be valuable also to Manitoba and Saskatchewan, as both these Provinces have substantial areas of wooded soils. From a settlement standpoint, the greatest difficulty lies in the initial cost of clearing the land, as this initial cost is so large per acre as to put it beyond the means of the ordinary settler. The principal reason why there has not been a greater migration of settlers from the drought areas of Saskatchewan and Alberta to the northern area of this Province, lies in the fact that the cost of clearing the remaining available land is quite beyond their financial resources.

POPULATION

The population of Alberta in 1906 was 185,195, according to the census of that year. The census of 1936 showed the population of the Province to be 772,782. As the migration of settlers into the Prairie Provinces was largely from the east, it was only to be expected that the open prairie lands of Manitoba and Saskatchewan would first be taken up. The settlement of Manitoba and Saskatchewan, therefore, was more rapid than that of Alberta until 1926. Since that time the settlement of Alberta has proceeded at a more rapid rate than that of the other two Prairie Provinces.

From 1901 to 1914 the increase in population was phenomenal, due, no doubt, very largely to the immigration policies of the Dominion Government at that time. After 1914 the rate of settlement slowed down somewhat, but was still substantial until the depression of 1921. In the five years following 1921 there was only an increase of 19,000 persons, or approximately 3.2 per cent. The more prosperous years from 1926 to 1931 were reflected in a further substantial increase, the population during that period increasing by 124,000, or approximately 20 per cent. During the years of depression from 1931, the rate of settlement again slowed down, there being only an increase of 41,000 from 1931 to 1936, or approximately 5.6 per cent.

TABLE I.

POPULATION GROWTH 1901-1936(1)
(In thousands.)

POPULATION				ABSOLUTE INCREASE IN FIVE YEARS			PERCENTAGE INCREASE IN FIVE YEARS		
Year	Alta.	Manitoba	Saskatchewan	Alta.	Manitoba	Saskatchewan	Alta.	Manitoba	Saskatchewan
1901	73	255	91						
1906	185	366	258	112	110	166	154%	43%	182%
1911	374	461	492	189	96	235	102%	26%	91%
1916	496	554	648	122	92	155	33%	20%	32%
1921	588	610	758	92	56	110	19%	10%	17%
1926	608	639	821	19	29	63	3.2%	4.7%	8.3%
1931	732	700	922	124	61	101	20%	9.6%	12%
1936	773	711	931	41	11	9	5.6%	1.5%	.99%

(1) Canada Year Book, 1937.

The ratio as between urban and rural population has shown a slight but steady increase in the percentage of urban population, due mainly to the mining and industrial development during the years from 1906. In that year the percentage of rural population was approximately 68.74%. In 1936 the ratio of rural population was 62.93%.

TABLE II.

DETAILS OF POPULATION

	1901	1906	1911	1916	1921	1926	1931	1936
Total Urban	18,533	57,875	137,662	188,749	222 904	233,848	278,508	286,447
Total Rural	54,489	127,320	236,633	307,693	365,550	373,751	453,097	486,335
TOTAL	73,022	185,195	374,295	496,442	588,454	607,599	731,605	772,782

Alberta is, therefore, more predominantly rural in its population than any other Province of Canada, with the exception of Saskatchewan and Prince Edward Island.

While an exact analysis of the racial origin of the population of the Province as ascertained by the census of 1936 is not yet available, according to the census of 1931, 53.2 per cent of the population was estimated to be of British origin, 43.8 per cent to be from other European countries and the remaining 3 per cent to be of Asiatic origin, with a native population of Indians estimated at approximately 15,000. It will be observed that the dominant element in the population is of British origin, and it is assumed that the analysis of the 1936 census, will not show any material change in this respect.

AGRICULTURE

As stated above, from an industrial standpoint the Province is predominantly agricultural, and as in Saskatchewan, wheat is the most important agricultural product. According to the census of 1936 the total area of farm lands in the Province is approximately 40,500,000 acres, of which approximately 18 million acres consist of improved land. Of this area approximately 7,360,000 acres were seeded to wheat in 1936. Table III sets out the acreage, yield in bushels, and value of wheat production since 1906. There are two significant features of this table. The first is found in the very large increase in acreage from 1906 to 1927, and the correspondingly large increase in the total value of wheat production in those years, more particularly between the years 1916 and 1927. While this increase is undoubtedly due, in part, to the rapid increase in land settlement during those years, important contributing causes were no doubt the national appeal for increased production during the years of the war and the fair to

TABLE III.

WHEAT PRODUCTION

Year	Acres	Total Yield Bushels	Price Per Bushel	Total Value
1906	177,127	3,966,020	$0.65	$ 2,549,408
1911	940,164	20,066,987	0.62	12,376,100
1916	1,567,738	41,610,946	1.33	55,369,406
1921	4,649,404	53,044,000	0.77	40,756,000
1926	6,115,000	113,120,000	1.05	118,776,000
1927	6,251,000	171,277,400	0.98	167,993,236
1928	6,707,526	155,662,000	0.75	117,008,000
1929	7,551,215	90,534,000	1.14	103,067,000
1930	7,164,000	132,900,000	0.39	51,831,000
1931	7,938,000	140,603,000	0.36	50,617,000
1932	8,201,000	167,355,000	0.32	53,554,000
1933	7,898,000	102,334,000	0.45	46,050,300
1934	7,501,000	112,500,000	0.58	65,250,000
1935	7,500,000	98,648,000	0.61	60,175,000
1936	7,537,200	66,000,000	0.92	60,720,000
1937	7,834,000	74,000,000	0.98	72,520,000

high prices of wheat prevailing from 1916 to 1927. The second feature of significance is found in the abnormal drop both in price per bushel and in total value in the years following 1928, due entirely to the impact of the depression. Further reference to this feature will be made in subsequent pages.

Table No. IV sets out the total agricultural production of the Province in the years from 1906 to 1937. From this table it will be seen that there has been an equally substantial increase in the total number of acres under cultivation for all purposes, and also that agriculture in this Province has developed along the line of mixed farming to a greater extent than in the Province of Saskatchewan, and compares very favourably with the Province of Manitoba. Mixed farming has been developed in this Province to as great an extent as climate, soil and available markets will permit. This table also reflects, in a striking manner, the abnormal decrease in the value of all farm products during the years of the depression.

Attention should also be directed to the large decrease in the value of dairy products following the year 1921. This, no doubt was due largely to the trade agreement made in 1922 by the Dominion Government with Australia and New Zealand, whereby the tariff on butter was reduced from three cents to one cent per pound in order to encourage the sale of Canadian made industrial products, principally automobiles, in Australia and New Zealand. The effect of this reduction in tariff was to promote the importation of Australian butter into Canada. This importation increased annually until in 1930 it is estimated that approximately 44 million pounds of butter were imported from those countries into Canada. In 1930 the Dominion Government, realizing the effect of this reduced tariff, increased the duty by five cents per pound and thereby very largely put an end to this competitive importation. If this change had not been made, the combined effect of this competition with the decrease in prices, due to the depression, would have been disastrous to dairy producers in this Province.

Alberta would not object to the general effect of these tariff changes upon its dairy industry, if the tariff operated evenly on agricultural economy. The effect of the tariff, however, upon Alberta has been two-fold. It rests as a burden upon agriculture generally, while those commodities produced in the Province which might be assisted by a reasonable tariff protection, have not received uniformly the protection which might have been expected.

Tables III and IV also show that, while there was a substantial increase in wheat production, and a similar increase in

TABLE IV.

TOTAL AGRICULTURAL PRODUCTION

YEAR	Acreage Under Cultivation Acres	VALUE OF AGRICULTURAL PRODUCTION			
		Grain, Root & Fodder Crops	Dairy	Animals Slaughtered and Sold	Total Including Miscellaneous Crops
1906	659,981	$ 8,428,205	$ 2,000,000	$ 6,000,000	$ 16,428,205
1911	1,936,840	27,597,217	7,788,000	13,000,000	48,385,217
1916	3,544,991	96,546,990	18,466,311	35,000,000	155,573,301
1921	11,597,018	82,794,860	25,500,000	17,290,416	136,355,276
1926	14,140,917	206,844,360	21,820,000	24,000,000	263,931,910
1927	14,577,143	272,891,152	20,750,000	25,000,000	330,143,152
1928	15,320,155	205,508,407	20,350,000	27,000,000	264,607,299
1929	16,334,422	166,874,771	20,750,000	40,418,360	242,052,089
1930	16,422,164	96,709,950	18,675,500	32,699,938	161,162,283
1931	16,908,186	98,991,600	15,750,000	25,533,808	148,048,008
1932	18,282,329	95,945,712	11,850,000	17,585,582	130,446,626
1933	18,206,110	83,444,668	12,950,000	17,000,000	119,899,553
1934	17,578,780	111,065,000	14,391,204	25,000,000	157,946,004
1935	17,982,080	93,717,000	14,252,500	28,272,399	143,200,429
1936	18,108,338	103,674,500	15,505,800	33,403,125	160,971,490
1937	18,312,020	130,534,600	17,137,900	34,418,264	190,924,231

dairy production in 1921 over that of 1916, live stock values declined approximately 50 per cent. This was the result of the United States Emergency Tariff of 1921 and the further increase in 1922. Prior to those years the United States had been the best market for Alberta cattle. The effect of this tariff was to close that outlet. Prices immediately dropped to such a low level that many ranchers and other producers of cattle were nearly ruined. Farmers were forced to a greater dependence upon the production of dairy products, poultry, and swine. Since 1921 the only available markets for live cattle have been Eastern Canada and the United Kingdom. The limitation of markets has had the effect of keeping live stock prices at a continuously low level, and the Province so admirably suited to cattle raising has been able to make very little progress in this branch of agricultural endeavour.

Although Saskatchewan consistently led Alberta in the total production of horses and cattle, Table V shows that, according to the census returns of 1936, Alberta has now passed Saskatchewan in the total number of cattle produced, while it has consistently led both Saskatchewan and Manitoba in the total production of sheep and swine. It is probable, however, that the drought conditions in the Province of Saskatchewan have resulted in a decline in the number of cattle produced in that Province.

LAND TENURE AND THE FARM UNIT

The average unit of farm holding in Alberta, as is the case in Saskatchewan, is somewhat larger than in the other Provinces of Canada. In the early years in this Province, due no doubt to the fact that much of the land was taken up by homestead or by purchase, the percentage of farms of 201 acres and over, in 1906 was only 27.29 per cent. From that year to 1926, there was a steady increase in the size of the farm unit, the number of farms in that year of 201 acres and over being 57.55 per cent. Since 1926 there has been very little change in this respect. The census returns for 1936 show 54,899 farms of 201 acres and over out of a total of 100,358 farms in the Province. Owing to the adaptability of power machinery to wheat farming, the trend towards large farm units has been greater in the southern part of the Province than in the central and northern parts.

Due no doubt to the same cause, that is, that land was taken up either by homestead or direct purchase, in the early years of the history of the Province, the tenure of land was largely that of ownership. In 1901, out of 9,479 farms, approximately 9,076 were held by owners, while only 211 were held by tenants and 192 by part owners and part tenants. As shown by Table VI, this situation has changed considerably. The census of 1936 shows that out of 100,358 farms in the Province, 67,562 were held by

TABLE V.
LIVE STOCK ON FARMS AND ELSEWHERE, 1921-1936

Province		1921	1926	1931	1936
ALBERTA—					
Horses:	Number	824,419	804,954	745,955	687,595
	Value $	77,687,612	50,890,235	34,296,874	40,142,423
Cattle:	Number	1,400,855	1,190,249	1,144,327	1,571,060
	Value $	52,420,853	32,210,515	35,621,973	27,881,651
Sheep:	Number	431,479	504,849	785,929	765,891
	Value $	2,673,771	4,424,017	3,818,508	2,568,489
Swine:	Number	426,539	706,602	1,057,104	883,124
	Value $	4,319,205	6,867,336	6,226,839	6,369,578
Poultry:	Number	5,663,164	6,580,071	8,725,866	7,054,443
	Value $	2,976,660	2,838,657	3,076,818	2,184,209
SASKATCHEWAN—					
Horses:	Number	1,091,507	1,124,554	1,011,817	908,440
	Value $	138,020,672	98,738,360	54,568,609	59,766,911
Cattle:	Number	1,312,906	1,185,582	1,206,562	1,561,087
	Value $	49,832,100	32,552.916	33,848,490	27,009,008
Sheep:	Number	195,538	161,831	281,013	342,271
	Value $	1,445,635	1,342,227	1,500,796	1,159,600
Swine:	Number	424,298	603,373	959,544	674,159
	Value $	4,955,814	5,974,342	5,351,912	4,496,044
Poultry:	Number	8,227,405	9,558,671	12,013,838	9,812,321
	Value $	4,447,561	4,231,611	4,089,571	2,908,007
MANITOBA—					
Horses:	Number	366,262	352,062	333,957	311,386
	Value $	49,225,064	32,491,968	20,727,107	22,775,940
Cattle:	Number	660,413	631,092	685,044	768,234
	Value $	23,420,545	18,295,999	19,241,362	14,692,713
Sheep:	Number	112,885	112,703	216,790	207,915
	Value $	798,437	934.929	1,172,754	734,392
Swine:	Number	204,408	310,400	397,548	275,874
	Value $	2,403,922	3,315,530	2,511,974	2,012,388
Poultry:	Number	3,861,040	4,906,419	6,023,877	5,088,504
	Value $	2,268,827	2,409,664	2,201,174	1,626,863

owners, while 16,208 were held by tenants and 16,588 by part owners and part tenants. It will be observed that since 1931 there has been a decline in the number of farms held by owners, and a substantial increase in the number of farms held by tenants as well as by part owners and part tenants.

During the years from 1921 to 1931, there was in Alberta, as in the Province of Saskatchewan, a very steady and definite trend towards mechanized farming. This was particularly true in the southern part of the Province where the extreme variations in climatic conditions often raised an acute problem of providing proper supplies of feed for live stock. During the years of depression from 1931 to 1936 this trend was definitely arrested with the result that there was little increase in the purchase of power equipment. Table VII not only shows this trend to mechanized farming in this Province but also shows that, although the farmers of Alberta have gone much farther than the farmers

TABLE VI.

TENURE OF FARM LANDS

Year	Total	Owners and Managers	Tenants	Part Owners and Part Tenants
1901	9,479	9,076	211	192
1906	30,286	Not Reported		
1911	60,559	55,688	2,321	2,550
1916	67,977	57,130	4,791	6,056
1921	82,954	66,629	8,072	8,253
1926	77,130	54,474	11,214	11,442
1931	97,408	71,060	11,808	14,540
1936	100,358	67,562	16,208	16,588

of Manitoba in this direction, they are still considerably behind the farmers of Saskatchewan.

Generally speaking, it may be said that the statistics of production show that the Province is well suited to agriculture in the various branches now carried on by the farmers of the Province. The yield per acre of land is higher than that of either of the other Prairie Provinces. The handicaps to production, however, are very great and the statistics showing the decline in value of agricultural production since 1928 do not tell the whole story. In the older Provinces of Canada, several generations of farmers have each contributed towards the general improvement of the farms of that Province, more particularly with respect to buildings.

TABLE VII.

TRACTORS, COMBINES, MOTOR TRUCKS AND AUTOMOBILES ON FARMS IN THE PRAIRIE PROVINCES AND CANADA, 1921-1936(1)

	Years	Manitoba	Saskatchewan	Alberta	Prairie Provinces	Canada
Tractors	1921	10,027	19,243	9,215	38,485	47,455
	1926	12,151	26,674	11,311	50,136	
	1931	14,366	43,308	23,985	81,659	105,360
	1936	14,685	42,051	24,913	81,649	
Combines	1931	355	6,019	2,523	8,897	8,917
	1936	498	6,413	2,909	9,820	
Motor Trucks	1926	952	3,267	1,421	5,640	
	1931	3,260	10,938	7,319	21,517	48,401
	1936	3,299	10,338	7,657	21,294	
Automobiles	1921(2)	16,645	36,098	20,616	73,359	157,022
	1926	20,208	52,177	29,144	101,529	
	1931	25,588	65,094	42,817	133,499	321,284
	1936	22,980	54,469	39,222	116,671	

(1) Compiled from preliminary returns of the Census of the Prairie Provinces, 1936, and preceding censuses

(2) Motor trucks were included with automobiles in 1921.

In many localities in Alberta the farms show the work of only one generation. A physical examination of almost any district in the Province will show, in a very definite way, the results of the disastrously low prices of 1931 and 1932, when prices were forced to a level much below that which might be considered as a fair level of the cost of production. Farm buildings are largely destitute of paint and in many cases show the urgent need of repair. Farm machinery is sadly in need of repair, if not replacement. In the early years of settlement there was an abundance of money for farm loans, as loans on the security of farm properties at a minimum rate of 8 per cent were considered by many companies as an excellent medium for investment. In the years of falling prices after 1929 there was a great reluctance on the part of these investors to reduce rates of interest so that until very recently the rates remained at a minimum level of 8 per cent even on short term bank loans. The result has been an accumulation of private debt which constitutes a very serious economic problem. This will be dealt with in a subsequent chapter.

Table VIII shows how greatly the sales of tractors have fallen off since 1928. A tabulation of the sales of any other item of farm machinery would show approximately the same results. Unless prompt and comprehensive measures are taken towards the solution of the private debt problem and towards removing some of the disabilities under which this industry is now labouring, it will take another decade at least to complete the re-estab-

TABLE VIII.

TRACTOR SALES IN THE PRAIRIE PROVINCES, 1920-1936

Year	Manitoba	Saskatchewan	Alberta	Prairie Provinces
1920	3,671	4,229	2,379	10,279
1921	1,057	1,655	716	3,428
1922	1,361	2,475	386	4,222
1923	911	2,524	731	4,166
1924	465	1,213	434	2,112
1925	1,008	2,176	869	4,053
1926	1,498	3,704	1,311	6,513
1927	1,414	5,727	2,885	10,026
1928	2,209	8,703	6,231	17,143
1929	2,423	6,906	5,228	14,557
1930	1,541	4,350	3,100	8,991
1931	186	267	334	787
1932	195	279	404	878
1933	223	232	307	762
1934	457	395	603	1,455
1935	550	669	938	2,157
1936	996	1,330	1,258	3,584
	20,165	46,834	28,114	95,113

lishment of the industry, notwithstanding the well known fact that the prairie farmer shows an amazing ability to come back, when prices of farm produce are stabilized at a reasonable level.

MINERAL PRODUCTION

With its great natural reserves of coal, natural gas and petroleum, Alberta has the basis for an extensive industrial development. The lack of markets, however, presents a definite limitation to the opportunities for developing these resources. The result is that while Alberta has a larger and more varied industrial development than the Province of Saskatchewan it lags behind the Province of Manitoba.

Although the value of mineral production is much less than the value of agricultural production, nevertheless the former has gained rapidly in importance since 1905. In 1906 the total value of all mineral production was approximately seven million dollars. A steady gain is reflected, however, in the value of this production until, as in the case of agriculture, the peak year was reached in 1928, when the total value of all mineral production was approximately 35 million dollars. As almost the entire production of the Province finds its market in the Prairie Provinces, the declining values of farm products were reflected in a steady decrease in the value of mineral production until the year 1933, when the total value was somewhat less than 20 million dollars. Since that year there has been a gradual improvement as prices of agricultural products have improved. Table No. IX gives the annual production of all minerals each year since 1906.

Coal is, of course, the principal mineral product. In no part of the economy of Alberta is the handicap of the geographical position of the Province and of high transportation rates shown more markedly than with respect to this commodity. As these handicaps are discussed in a subsequent chapter, it is sufficient for the purposes of this chapter to state that, although the known coal reserves of the Province are practically inexhaustible, the peak of annual production reached in 1928 was 7,334,179 tons, with a total value of over 23 million dollars. The coal industry gives employment to approximately 10,000 people annually. While undoubtedly constituting an exceedingly rich natural resource, the full development of the coal industry is prevented by lack of markets.

Natural gas is also one of the important natural resources of the Province. In 1935 Alberta produced about 65 per cent of the natural gas in the Dominion in terms of quantity, but only 45 per cent in terms of value. As in the case of coal, the absence of large readily available markets precludes a satisfactory disposal

TABLE IX.
Mineral Production

Year	(1) COAL		PETROLEUM		NATURAL GAS		
	Quantity Tons	Value	Quantity Barrels	Value	Value	Other Minerals	Total Value
1906	1,385,000	$ 2,614,762					
1911	1,694,564	3,979,264			$ 110,165	$2,573,244	$ 6,662,673
1916	4,648,604	11,386,577			1,113,296	797,670	13,297,543
1921	5,937,195	27,246,514	7,203	$ 49,313	1,374,599	1,891,803	30,562,229
1926	6,508,908	20,886,103	215,598	902,504	3,019,221	2,169,199	26,977,027
1927	6,936,780	21,982,058	332,133	1,185,948	3,586,533	2,554,684	29,309,223
1928	7,334,179	23,532,414	489,531	1,764,172	3,754,466	3,480,364	32,531,416
1929	7,147,250	22,928,182	999,152	3,458,177	4,684,247	3,705,380	34,739,986
1930	5,755,911	18,063,225	1,433,844	4,780,696	4,929,226	2,654,595	30,427,742
1931	4,564,290	13,342,675	1,455,195	3,976,220	4,067,893	2,193,939	23,580,727
1932	4,870,030	13,526,309	917,622	2,760,792	3,853,794	1,042,417	21,183,312
1933	4,714,784	12,307,258	1,013,040	2,844,157	3,886,263	665,275	19,702,953
1934	4,748,848	12,556,099	1,265,940	3,104,823	3,707,276	860,653	20,228,851
1935	5,462,973	14,094,795	1,263,750	3,102,227	4,113,436	979,223	22,289,681
1936	5,696,375	14,659,705	1,320,442	3,019,930	4,376,720	1,249,371	23,305,726
1937	5,551,682	14,434,969	2,796,900	4,913,960			

(1) Coal production in the year 1886 was 43,220 tons, valued at $81,112.00.

of the product. In 1934, Ontario was credited with about 54 per cent of the total value but only 33 per cent of the total quantity of this product, while Alberta produced 42 per cent in value and 64 per cent of the total quantity. Fortunately the principal natural gas resources are distributed over a wide area of the Province. The city of Medicine Hat draws its supply from the reserves adjacent to that city. The cities of Calgary and Lethbridge and intermediate and adjacent points originally derived their supply from the Bow Island field, but of recent years have depended mainly upon the Turner Valley field. In fact, as the Bow Island field threatened to be depleted a few years ago, it is now being replenished by artificial means from Turner Valley. The City of Edmonton and adjacent points are supplied from the Viking field. In 1915 natural gas was declared to be a public utility, and since that time the rates for domestic and industrial purposes have been controlled and regulated by the Board of Public Utility Commissioners.

The Province is rapidly assuming a commanding position, not only in Canada but in the Empire, with respect to the production of petroleum, the Turner Valley now being internationally recognized as an important field of production. Again, because of restricted markets, this important product cannot be developed to its full extent. For the purpose of orderly development of the field it was necessary to place this industry under the control of the Board of Public Utility Commissioners.(1) In 1937 the output of the wells in the Turner Valley field was reduced first to 60 per cent capacity, and during the latter part of the year only produced to the extent of 42 per cent of potential capacity. Notwithstanding this fact, the total production in that year amounted to $4,883,867.00. The petroleum resources of the Province will be discussed in greater detail in a subsequent chapter.

The tar sand deposits on the Athabasca River in the vicinity of Fort McMurray are also internationally known, although as yet there has been but little production from the deposits. Much research has taken place to discover economical methods of extraction and commercial production is now in the process of establishment. Estimates place the potential production of petroleum from the tar sand deposits at 100 billion barrels. Experiments in the use of tar sands for road surfacing have demonstrated that the material is eminently satisfactory. It is as yet, however, not possible to estimate how generally the sands may be used for this purpose, and it is also too soon to predict the commercial possibilities of the extraction of petroleum or petroleum products.

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(1) The industry has recently been placed under the control of The Petroleum and Natural Gas Board.

Numerous tests have proven also the existence of extensive salt deposits in the vicinity of Fort McMurray. A plant for purifying salt was established at Fort McMurray some years ago and operated for a time, but for various reasons this plant was not a success and was finally closed. Recently a plant has again been opened, however, and has been operating satisfactorily during the past year, and it is confidently believed that the production of this commodity is now on a permanent basis. The deposits in this area have apparently been adequately proven both as to quantity and quality, and the extent of production will be governed only by effective demand.

LUMBER

The lumber industry in Alberta is confined largely to spruce, lodge-pole pine, poplar, fir and tamarack products, and serves mainly the domestic market on the prairies with a comparatively small part of the product going to Eastern Canada. The annual production since 1921 has been as follows:

1921	$ 784,990
1926	1,577,432
1927	2,172,880
1928	2,547,101
1929	2,852,440
1930	2,390,587
1931	821,628
1932	968,704
1933	784,195
1934	1,125,087
1935	1,198,640
1936	1,404,446

These figures bear striking testimony to the reduction of purchasing power on the prairies since 1929, and more particularly the extent to which the improvement of farm properties was curtailed since that year. It will be observed that from a production of $2,852,440 in 1929, the total annual value of lumber products fell to $784,195 in 1934, a reduction of nearly 75 per cent.

FISHERIES

The fishing industry in Alberta is a comparatively minor one, being confined to the lakes in the northern part of the Province. The annual production has ranged from a low of 1,700,000 pounds with a value of approximately $68,000 in 1906, to a high of 11,000,000 pounds with a value of approximately $930,000 in 1929. This production dropped during the succeeding years by approximately 75 per cent, the production in 1932 being approximately 5,000,000 pounds with a value of $225,000. The market for this product is also largely a domestic one, although shipments have been made to Chicago and other centres of population in the United States.

MANUFACTURING

Manufacturing in Alberta is as yet largely confined to those industries engaged in the processing of the natural products of the Province. There was a substantial increase in the annual production from 1906 to 1929 as shown by Table X. Nineteen hundred and twenty-nine was the peak year of production with an out-turn of approximately 107 million dollars.

TABLE X.
MANUFACTURING INDUSTRIES

Year	Value of Products
1906	$ 4,979,932
1910	18,788,825
1915	29,416,221
1920	88,606,074
1921	60,064,778
1926	83,425,631
1927	84,987,317
1928	100,744,401
1929	107,556,792
1930	94,314,782
1931	68,367,411
1932	55,293,832
1933	54,642,706
1934	69,389,118
1935	73,282,607

In spite of the obvious advantages of the Province as a manufacturing centre, with its abundant resources of coal, oil and water power, the artificial restriction of markets during the depression years resulted in a steady decrease until 1933, when the total production was approximately 55 million dollars. In this, of course, account must be taken of the fall in prices.

Table XI indicates the nature of the manufacturing industry in Alberta and its contribution to the general economy of the Province, the figures being those for the year 1935.

TOTAL PRODUCTION

Table XII summarizes the total gross and estimated net production of the Province from the year 1920. It will be observed that the year 1929 was the peak year with a gross production of approximately 462 million dollars. It will also be observed that the reduction in purchasing power in the following year reduced the total gross production to a much lower point than at any time since 1920.

In any study of the relationship of a Province with the Dominion it is assumed that consideration must be given to the general economy of that Province and the extent to which it has been able to satisfactorily develop its natural wealth. From the

TABLE XI.

MANUFACTURING INDUSTRIES OF THE PROVINCE OF ALBERTA, 1935.(1)

Industry	Establishments No.	Capital Invested	Total Employees No.	Total Salaries and Wages	Cost of Materials Used	Gross Value of Production
Slaughtering and Meat Packing	10	$ 7,630,686	1,462	$ 1,673,682	$12,440,832	$16,088,230
Flour and Feed Mills	88	7,595,661	677	737,575	8,774,013	11,726,301
Petroleum Products	9	5,554,504	452	665,744	6,028,776	7,791,296
Butter and Cheese	104	4,102,057	806	851,078	4,369,149	6,313,086
Central Electric Stations	76	27,103,959	578	841,770	———	4,776,982
Railway Rolling-stock	3	6,733,906	1,505	1,588,896	1,145,486	2,835,230
Breweries	5	4,484,315	216	352,552	864,756	2,687,557
Printing and Publishing	83	2,914,200	795	1,042,837	441,479	2,487,017
Bread and other Bakery Products	151	1,988,331	661	570,272	1,169,073	2,382,226
Saw-mills	190	1,540,670	1,054	425,118	465,092	1,198,640
All other Leading Industries (2)	4	6,147,610	408	420,585	2,617,150	4,205,565
Totals, Leading Industries	723	$75,795,899	8,614	$ 9,170,109	$38,315,815	$62,492,130
Totals, All Industries	1,002	$96,322,781	12,087	$12,504,449	$42,831,636	$73,282,607

(1) Information secured from the Dominion Bureau of Statistics.
(2) Includes—Sugar refining, wood preservation and malt and malt products.

TABLE XII.

VALUE OF TOTAL PRODUCTION—ALBERTA

Includes Agriculture, Forestry, Fisheries, Trapping, Mining, Electric Power, Construction, Custom and Repair and Manufactures.

Year	(1)Gross	(2)Net
1920	$376,420,786	$264,571,430
1921	223,648,964	154,376,861
1922	221,929,251	161,098,720
1923	301,105,188	241,241,457
1924	298,589,566	210,972,370
1925	360,559,745	261,465,029
1926	383,207,517	298,026,980
1927	462,347,821	378,578,571
1928	439,513,402	341,413,575
1929	409,642,138	237,493,962
1930	330,816,695	226,401,663
1931	255,519,947	187,019,646
1932	214,177,072	157,015,824
1933	206,997,231	144,210,672
1934	255,549,707	162,784,883
1935	250,995,852	155,098,958

(1) Gross production represents the total value of all the individual commodities produced under a particular heading.
(2) Net production represents an attempt to eliminate the value of materials, fuel, and electricity consumed in the production process.

foregoing review it would appear that Alberta may reasonably make the following claims:

1. That, because of climatic and soil conditions, it has potentially a larger area of undeveloped land suited to agriculture than any other Province in the Dominion.

2. That the area under cultivation, with the exception of the south-eastern portion of the Province, has yielded from year to year a high average return in wheat and other field crops.

3. That due to the fact that its most important grain crop, wheat, must be sold on an export market, the return has been highly variable from year to year, while the market price of all field crops suffered disastrous declines in the depression years following 1929.

4. That the Province is admirably suited to live stock production, but the closing of its logical export market in the United States by adverse tariffs has largely thwarted development of this natural industry.

5. That it has within its boundaries inexhaustible supplies of coal, but it has been unable to develop this important mineral resource, as obstacles, commercial, economic and international, have prevented distribution in the larger markets in Central Canada. In this connection it is significant to note that a recent writer in the Financial Post of the City of Toronto, includes with

the natural resources of Ontario, the ease with which that Province can draw upon the great coal reserves of the State of Pennsylvania.

6. That the great obstacle to the development of a balanced agriculture as well as the development of mineral resources such as coal and petroleum, is the lack of effective demand due not so much to the geographical position of the Province, but mainly to the operation of certain national policies.

In the succeeding chapters the handicaps facing the Province in the development of its natural wealth will be discussed in greater detail.

Chapter III.

Alberta as Part of the Economy of Canada

An examination of the record of agricultural and industrial growth in the Provinces of Ontario and Quebec will illustrate in part the contribution which the Prairie Provinces have made to the general welfare of Canada. By opening up new and substantial markets for goods manufactured for the most part in those two Provinces, the Prairie Provinces have obviously contributed substantially to the growth and development of the manufacturing industries in that part of the Dominion. The larger urban population resulting from this industrial growth in turn has provided larger markets for agricultural products and has resulted in a more diversified and balanced agricultural production than is possible on the Prairies.

An analysis of Table I shows that there was an average growth of population in Ontario and Quebec from 1881 to 1901 of about one per cent per year. In the decade from 1881 to 1891 the population of the two Provinces increased by 317,000 persons or an average increase of 31,700 per year. In the following decade from 1891 to 1901 the average annual increase was 22,900. Although, as has already been indicated, approximately 160,000 people had settled in Alberta and Saskatchewan prior to 1901, the great tide of immigration into these two Provinces commenced after that date. In the twenty years following 1901 the population of the three Prairie Provinces increased by one and one-half million people. It can hardly be regarded as a mere coincidence that in the same twenty years the population of the two central Provinces increased at double the rate which had prevailed in the previous twenty years. From 1901 to 1911 the population of Ontario and Quebec increased by 701,000, or an average of 70,100, and from 1911 to 1921 the average annual increase was 76,200. The decade from 1921 to 1931 witnessed a further large increase of population on the Prairies and in the same period there was an increase of population in Ontario and Quebec of 1,011,000, or an average annual increase of 101,000.

Again it will be observed that during the period of fifty years from 1881 to 1931, the population engaged in agriculture in Ontario and Quebec remained practically stationary, there being 506,000 persons engaged in that industry in 1881 as contrasted with 536,000 in 1931, or an increase of only 30,000 in fifty years. During the same period, the area of land in field

crops increased by less than three million acres, a very small increase compared with the large increase of similar acreage in the Prairie Provinces in the thirty years from 1901 to 1931. It is evident from these figures that the large development in manufacturing industries in the two central Provinces was not based upon a large increase either in agricultural population or in agricultural production within those Provinces.

TABLE I.(1)

STATISTICS OF GROWTH OF POPULATION AND OF THE NUMBERS OF PERSONS OCCUPIED IN AGRICULTURE IN ONTARIO AND QUEBEC AND IN THE PRAIRIE PROVINCES, 1881-1931
(In Thousands)

	ONTARIO AND QUEBEC				PRAIRIE PROVINCES	
Year	Total Population	Persons Occupied in Agriculture	No. of Farms	Acres of Field Crops	Total Population	Persons Occupied in Agriculture
1881	3,286	506	345	12,518	118	15
1891	3,603	545		12,231	252	47
1901	3,832	502	344	13,916	419	79
1911	4,533	512	362	15,164	1,327	283
1921	5.295	526	336	15,129	1,956	375
1931	6,306	536	328	15,440	2,354	443

(1) Canada Year Books, 1936 and 1937.

While there was very little increase in the population engaged in agriculture in the central Provinces, there was a rapid growth in manufacturing industries following 1900, as indicated by Table II. Before 1900 the rate of growth had been very slow and there had even been some decline in the ten years prior to that date. For the Province of Ontario, however, the capital invested in manufacturing concerns increased from $215,000,000 in 1900 to $2,431,400,000 in 1930, or approximately ten fold. The amount distributed in salaries and wages increased in the same period from $56,500,000 to $370,800,000, while the number of employees engaged in those industries increased from 161,757 in 1900 to 307,477 in 1930. The progress in Quebec was similar in character. The capital invested in manufacturing concerns increased from $142,400,000 in 1900 to $1,727,100,000 in 1930; the amount distributed in salaries and wages increased from $36,600,000 to $216,800,000, and the number of employees from 110,329 to 204,802.

TABLE II.(1)

STATISTICS OF MANUFACTURING INDUSTRIES IN ONTARIO AND QUEBEC, 1900-1930

Year	ONTARIO			QUEBEC		
	No. of Employees	Salaries and Wages Paid. Million Dollars	Capital Invested. Million Dollars	No. of Employees	Salaries and Wages Paid. Million Dollars	Capital Invested. Million Dollars
1900	161,757	56.5	215.0	110,329	36.6	142.4
1910	238,817	117.6	595.4	158,207	69.4	326.9
1920	300,794	369.8	1,668.1	186,308	205.8	1,028.2
1930	307,477	370.8	2,431.4	204,802	216.8	1,727.1

(1) Canada Year Books, 1936 and 1937.

Human memory is short and probably there are few persons in Canada who retain a vivid recollection of the industrial development which occurred in the two central Provinces following the period of rapid settlement on the Prairies. The following extracts from editorials appearing in papers published in cities in Ontario, however, will indicate the view that was held by the editors of those papers at the time the editorials were written.

The first is an editorial reprinted from the Ottawa Free Press in the Edmonton Bulletin on February 28th, 1907. The editorial, in part, was as follows:

> "The settlement of the West has been the problem of Canada for a generation.
>
> "Since the construction of the Canadian Pacific Railway revealed the expanse and something of the resources of the Western land this problem has confronted the Canadian people and the Canadian Government and the stagnation or prosperity in the industrial and commercial life of the Dominion has been the reflection of the negligence or energy displayed in the solution of this problem.
>
> "For a decade this problem was worse than ignored by a policy—which plundered the Western resources while it strangled the opportunity for Western settlement and development; and the result was reflected in the industrial and commercial paralysis of the Dominion from sea to sea. Manufactures languished from lack of markets; mechanics, unable to obtain employment, tramped the streets of Ontario cities under the gruesome signal of starvation; foreign capital held aloof from the unpromising field, while thousands of Canadian-born fled to the United States to find the opportunities of livelihood denied them at home.
>
> "Ten years ago this policy of 'conserving' the land in unoccupied uselessness came to an end, and the Federal Government took up with courage and resolution the policy of peopling the West with those who were willing and able to bring its resources into use. The results have been as apparent in Eastern as in Western Canada, and, marvellous

as has been the change on the plains, it has been equalled in degree by that in Eastern Provinces. Factories which before stood idle are running night and day; employment offers everywhere and at satisfactory wages; capital from abroad is being freely invested in our development and industrial enterprises. Canadians no longer flock abroad in search of opportunity, but find it in plenty under their own flag, while thousands come annually from abroad, attracted by the hope of finding better conditions of life."

Another editorial from the Toronto World, read in part as follows:

> "The marvel of our West is its productiveness, the inrush of population, most of all the consuming capacity, the consuming possibility of that population for manufactured goods of all kinds. The farmers of the West do not haggle over prices, they have the money to buy all kinds of things, and with their rapidly increasing numbers they can support an immense population in some other portion of the Dominion better suited for industrial and manufacturing purposes."

The editorial then proceeds to indicate that the central Provinces are the parts of Canada particularly adapted to profit from this large increase in population on the Prairies.

If, as already indicated, there was but little growth during the past fifty years either in the population engaged in agriculture in the central Provinces or in the acreage of field crop production, there has been nevertheless a substantial improvement in the economic position of those engaged in this industry. It is admitted that the two Provinces have from the beginning been admirably suited to diversified agriculture with dairy and live stock farming forming a substantial proportion of agricultural production. Certain areas were particularly adapted by soil and climatic conditions to fruit growing and the existence of numerous urban centres provided an outlet for market produce. With the rapid increase, however, of urban centres due to the progressive development of manufacturing industries, it was inevitable that agricultural production should undergo a substantial change due to the ever increasing demand for food products. One of the stock arguments of those who support high tariff policies is that agriculture is benefited by the consequent growth of consuming urban population.

Various examples might be cited in support of this contention. A striking instance may be found in the production of milk for urban use. In 1901 on the basis of one-half pint per day per capita, the requirements of the Province of Ontario amounted to 17.1 million gallons and for Quebec 11.8 million gallons. In 1931

the requirements on the same basis would be 38.3 million gallons for Ontario and 33.1 million gallons for Quebec. In other words the increase in consumption in these two Provinces during that interval of thirty years was 42.5 million gallons or two and one-half times the total consumption of both Provinces in 1901.

Another example of this change in agricultural production is shown in the relative production of dairy and creamery butter which in 1935 in the Province of Ontario amounted to 117,251,800 pounds or considerably more than the total production for all Canada in the year that Alberta was created a Province. The increase in home consumption of other foods may be expected to be in much the same proportion.

A further indication of the present favourable position of the two central Provinces may be found in the relative prices for similar agricultural products in Alberta and Ontario. The Canada Year Book, 1937, gives the following average prices obtained in Alberta and Ontario for similar products:

Commodity	Ontario	Alberta
Spring Wheat	$ .73—1.08	$ .61— .87
Oats	.28— .48	.16— .34
Barley	.40— .80	.23— .55
Potatoes per bushel	1.12—1.35	.68— .95
Horses	105.00	50.00
Milk Cows	46.00	26.00
Sheep per 100 lbs.	7.00	4.51
Swine per 100 lbs.	11.63	9.86
Hens (1936)	.74	.42
Turkeys (1936)	2.31	1.40
Eggs per doz. (1936)	.21	.13

It may be argued that with respect to horses and milch cows Ontario may produce a uniformly higher grade, more adaptable to market purposes, which may account for part of the difference in price. Several of the commodities quoted, however, are marketed on the basis of similar grades for all the Provinces. It may be admitted also that the prices of some Alberta products may be affected by freight rates to export markets but freight rates can hardly explain the total difference in the prices quoted. If freight rates are to be made accountable for the difference in price, then the figures indicate a serious disadvantage under which Alberta farmers labour because of this fixed charge as contrasted with the farmers of Ontario. If the difference in price is to be accounted for by the influence of home markets then the figures indicate the contribution which industrial development in Ontario has made to agriculture.

The contribution made by Alberta and the other Prairie Provinces to Canada's export trade needs no extensive comment. Since 1910 the Canadian export tables have consistently placed wheat in the first place in order of importance in the list of exportable commodities. In 1900 the total exportable value of wheat was $11,995,488. In 1930, the exportable value of this commodity was $215,753,475. It requires no argument to prove that the greater part of this large increase in values is the result of the exportation of wheat grown on the Prairies.

Professor Innis in "Problems of Staple Production" makes the following reference to the importance of wheat to the economic life of Canada:

> "It is difficult to over estimate the importance of wheat to Canadian industrial development and to Canada's present problems. The economic and political structure of Canada have been built up in relation to the production and export of wheat. . . . Moreover, the expansion of industry in Eastern Canada, and the consequent revolution of eastern agriculture was largely a result of the opening of the West especially after 1900. The development of the lumber industry in British Columbia and the development of coal-mining and the iron and steel industry in the Maritimes were stimulated by the marked increase in the production of wheat. . . . On the whole, wheat has continued in the war and post-war periods as the raison d'etre of enormous investments of capital in Canadian transport, industry and agriculture, and fluctuations in the volume of wheat produced in Western Canada have been registered directly and indirectly in the economic conditions of other parts of Canada. Its influence has been tempered by the growth of mining and of pulp and paper industries, but it remains of basic importance."

A further indication of the contribution which this Province has and is making to Canada and particularly to the Central Provinces may be found in the volume of retail merchandising sales within the Province. The volume for the years 1930 to 1934 (inclusive), is estimated by the Dominion Bureau of Statistics as follows:

1930	$176,537,100
1931	135,095,000
1932	115,354,000
1933	108,431,000
1934	120,423,000

As the years quoted are the years of depression, it is obvious that the volume would be considerably higher in the preceding years when the prices of wheat were higher.

It has been estimated that at least 75 per cent of retail merchandising sales consists of goods manufactured in other Provinces, principally in Ontario and Quebec. Alberta is indeed a good customer of the Eastern manufacturer. Not only does Alberta, along with Manitoba and Saskatchewan, provide a large market for the manufacturer in other parts of Canada, but annually a large volume of business is done in the Prairies by the Banks, Trust and Loan Companies and Life and Fire Insurance Companies, which for the most part have their principal places of business in other Provinces.

Again one has only to consider the elaborate plants and business organizations located in other Provinces for the handling of the annual wheat crop produced in the Prairie Provinces. The principal grain exchange is located in the City of Winnipeg, with an exchange also in the City of Vancouver; numerous large terminal elevators have been erected at Vancouver, Prince Rupert, Fort William, Port Arthur, Toronto and Montreal, while wheat cargoes constitute a large volume of the tonnage carried annually over the Great Lakes. Reference has been made in another chapter to the revenues received by the transcontinental railways for the transportation of this commodity to Vancouver or to the head of the Lakes.

Some indication of the importance to the commercial life of other Provinces of the annual production and consequent annual purchasing power of the Prairie Provinces may be found in the anxiety with which crop conditions on the Prairies are studied by business interests in other Provinces. The following excerpts taken at random from issues of the Financial Post of Toronto might be multiplied many times by reference to the columns of publications in other Provinces:

September 28, 1935—

"Dollar Wheat Is Big News —

"Durable Goods Recovery.

"Biggest business news of the week was 'dollar wheat'.

"What does it mean? Last week Winnipeg Free Press estimated the total net buying power from western grains on the farm at 241 million dollars, compared with 223 million dollars a year ago. This is actual return to farmers, after deduction for the poorer quality crop and allowance for freight rates. The estimate was based on the official minimum price as set a few weeks ago by the Grain Board.

"But jack the price across the dollar mark and after allowance for proportionate gains in other grains, it is found that western buying power is increased roughly 66 million dollars, or ONE-THIRD more than the corresponding figure of last year. Since farm purchasing power is roughly 40 per cent of the total Canadian economy, and since prices of all other agricultural products are higher by 21 per cent,

than last year, the meaning of dollar wheat—assuming of course we can sell our crop and carry over during the next twelve months—reaches vast proportions."

June 5, 1937—

"European Tension Adverse for Stocks —

"Harvest Results May be Favourable Influence.

Later this year—

". . . One reason for development of a stronger trend in Canadian stock prices in the later months of the year is that the results of harvesting are highly important to the Canadian economy. This year, in particular, higher grain prices made the crop outcome an important potential influence on stocks. Another favourable possibility for later in the year is the newsprint price for the latter half of 1938."

July 10, 1937—

"Prairie Drought Hits Business in Prospect.

"Searing heat in Saskatchewan this week lopped millions off prospective fall business. This loss is serious as a fair crop in that Province at anything like present high prices would have put real purchasing power into a large area of Canada that has been on actual relief for several years and badly depressed since 1930."

The large volume of retail purchases in the Prairie Provinces and the handling of the imports and exports to and from these Provinces contribute to the other Provinces in other ways than in the general stimulus to business. The plants required to take care of this business and the personnel engaged by the various firms and companies made a substantial contribution to the taxation revenues of the other Provinces. The evidence of Fraser Elliott, Federal Income Tax Commissioner, before the Royal Commission on Dominion-Provincial Relations in Ottawa, on January 26th, 1938, is very significant in this respect. His evidence in part is as follows:

"I have shown you the money we collected, and now perhaps I might break it down into the places from whence it comes. It comes mostly from Toronto and Montreal. These districts really collect money from all parts of Canada, because the head office of many companies is in these big cities. Their activities, however, extend across Canada. They make profits in every Province. These profits come home as part of the head office accumulation, and are therefore reflected in the financial statements and in these centres taxed. When we say that that amount is collected from Montreal and Toronto, it is true as to the place where the hand that received the money is located; but it is not true in the sense that money is earned in these districts. It is earned all across Canada."

The following extract from his evidence is also significant:

"The Chairman: There are only two provinces where the tax collected is greater than the national wealth line, Ontario and Quebec.

"Mr. Elliott: That is correct.

"The Chairman: What is the significance of that?

"Mr. Elliott: The significance is that there is a greater annual yield in relation to their provincial wealth than there is income or yield to the people of the Province of Alberta in relation to their national wealth."

The argument is frequently advanced in other parts of Canada that the West in its development has been largely financed by the Eastern Provinces. Indeed from the comments made at times even by leaders of public thought in Eastern Canada, the East is pictured as a sort of milch cow which is being regularly and systematically milked by the Western Provinces. To a large extent this argument was answered by the evidence taken in the City of Winnipeg by the Royal Commission on Banking and Finance, where it was finally admitted by the Superintendent of the Western Subsection of the Canadian Bankers' Association that since approximately 1920 the deposits in the banks in Western Canada were sufficient to take care of the loans made by the chartered banks.(1) Furthermore, the Dominion Mortgage and Investments Association claims in its brief that Alberta citizens have nearly as much invested in their member companies as the latter have invested in Alberta. Undoubtedly Manitoba and Saskatchewan have also contributed large sums. In the main the Head Offices of these companies, as well as the Banks, are situated in Ontario and Quebec.

It is admittedly true that large sums of money were invested by Trust, Loan, Life Insurance Companies and other financial concerns, having their Head Offices in Eastern Canada, in farm mortgages and in Government and Municipal securities in the Prairie Provinces. Private capital, however, does not enter into any given field for patriotic or other sentimental reasons but for the annual return of profit on the investment. High rates of interest available for the mortgages on farm and urban property and for investments in Provincial and Municipal Bonds made the West an attractive field for investment. Lending corporations, therefore, eagerly solicited loans on western real estate; machine companies encouraged the purchase of farm machinery on credit; while representatives of eastern financial concerns encouraged provincial and municipal interests to borrow for public purposes because of the attractive returns to investors available on public loans. The Private Debt Chapter of this Brief sets forth certain

(1) Vol. 4, pp. 1992 et seq., also statement deposits and loans by Provinces and filed with Commissioner by the Bankers' Association at Ottawa.

data in respect of income received from investments in Alberta by certain lending institutions. It is true that losses have resulted in many cases, but it is confidently asserted that having regard to the high rates of interest prevailing in the West, the net return on either public or private investments in Alberta is greater than in other parts of Canada.

The two central provinces profit from taxes paid by lending institutions, from the money distributed through expenditures of head office buildings and staffs, and from the concentration of moneys which permits the control of large sums by comparatively few individuals who are thus able to wield immense power in dictating financial policies throughout the Dominion in controlling investments and in trying to thwart attempts made to ease the burden borne by the people of Canada by reason of the present system of private, monopolistic control of credit.

It has recently been asserted publicly that the central provinces are being taxed for the benefit of the West. This, obviously, can only be true if it can be shown that the people of the western provinces are receiving much more from the Dominion treasury in proportion to what they contribute by way of taxation and otherwise than do the people of the central provinces. So far as the Province of Alberta is concerned it invites a close examination of the accounts of the Government of Canada in this respect. Alberta is confident that if the total is obtained of all the annual votes by the Dominion Government for harbour improvements, canals, waterways, buildings and other public improvements in the central provinces, as compared with the amounts voted for any public purposes in the Province of Alberta, it will be found that the people of Ontario and Quebec have received greater returns from the Federal Government for each dollar paid in taxes than have the people of Alberta, taking into consideration population and area.

It will be seen that Manitoba, Saskatchewan and Alberta have in no small measure contributed to the growth and stability of industry generally, and also to the improvement of agricultural conditions in other parts of the Dominion of Canada. In addition, they have made a substantial contribution to the export trade of Canada. During the comparatively brief period of its history, Alberta has assumed its full part in this general contribution. Alberta invites the other parts of the Confederation of Canada to consider the addition it has made to trade and business in Canada generally, in now assessing the handicaps under which it has endeavoured to promote its economic well-being and which still confront its people in their effort to develop the natural wealth of the Province.

Reference will be made elsewhere to the contribution made by the prairie provinces to the support and maintenance of railway transportation facilities in Canada. Reference will also be made to the development of mineral production in Alberta and the contribution such production will make when the mineral resources are further developed, when markets are made available for coal and petroleum, and the restrictions imposed by the present financial system are removed.

CHAPTER IV.

Land Settlement Policies and Resulting Problems

The present economic and financial problems of Alberta, cannot be fully comprehended or understood without a knowledge of the early history of the Province, particularly with respect to the nature and method of land settlement. The rapidity of settlement and its scattered nature soon made heavy demands upon the limited revenues of the Province in the early years of its history. Governments were encouraged to embark upon enterprises involving large guarantees and heavy borrowings, which have since had serious repercussions on the financial position of the Province. Topography and climate, and settlement in unfavourable areas, have given rise to problems of rehabilitation which are now engaging the serious attention of both the Dominion and the Provincial Governments. A brief review of the manner in which land settlement was promoted and encouraged and the problems which resulted therefrom may serve to give the people of Canada a clearer understanding of the financial disabilities under which the Province now labours.

Inspired from the beginning with a determination to bring the whole of British North America into Confederation, the Dominion, after 1867, promptly undertook to secure control of all the unorganized territory lying outside the boundaries of the original Provinces. In 1870, with the assistance of the Imperial Government, a settlement was finally completed with the Hudson's Bay Company, by which that Company surrendered its rights in all the Northwest Territories and Rupert's Land in consideration for land grants consisting of one-twentieth of the lands surveyed into townships extending from the International Boundary to the North Saskatchewan River. The next major accomplishment was to bring the Crown Colony of British Columbia into the union, and in order to meet the conditions imposed by that Colony, the Dominion agreed to build a line of railway to connect the Pacific Coast with Central Canada. That undertaking to the young Confederation was one of colossal proportions, involving not only the building of two thousand miles of railway across unsettled prairies, and through rough and mountainous country but also the colonization and settlement of the territory through which the railway had to pass. Thus two great problems came into being, firstly, railway construction in the West, and secondly, settlement of the prairies.

The Dominion eventually settled upon a policy of building the railway through the instrumentality of a private corporation, the Canadian Pacific Railway, which was aided by generous grants of land. The original land subsidy was 25 million acres, with the mineral rights included. This was subsequently reduced, however, by the Government retaining a substantial acreage to cancel an obligation of the railway company to the Government, on terms which were mutually agreed upon. This settlement had the effect of reducing the total land grant to approximately 18 million acres. Other benefits and privileges were conferred upon the company, including a perpetual exemption from taxation of its main line properties and tax exemption of its land and mineral rights for twenty years after the grant from the Crown. These exemptions proved to be a very great handicap to the Provincial Government, and a much greater one to the Municipal Units which were subsequently established after the formation of the Province.

As time went on, additional land subsidies were promised to the Canadian Pacific Railway for subsidiary lines and to other railway companies such as the Calgary and Edmonton and the Alberta Railway and Irrigation Company, until more than 55 million acres of prairie lands had been so pledged. Only two-thirds of this acreage was eventually earned by actual construction. Long before 1905, the policy of subsidizing railway construction by land grants had been discontinued, but the process of selecting the lands already earned, and the aftermath of tax exemption, remained for many years to vex the growing communities of the West. It is estimated that the selection of railway lands in Alberta has amounted to about 13,120,000 acres. It should be pointed out that practically the whole burden of providing land for these railway subsidies, not only for the railways within Saskatchewan and Alberta, but as well for the portions of the Canadian Pacific Railway lying in Western Ontario and British Columbia, fell upon the three Prairie Provinces.

As already stated, the task of settling the Prairies with permanent agriculturists became closely linked up with that of railway construction. Immigration and colonization became prominent features of national policy. From 1870 onward, for the next twenty-five years, the Dominion actively promoted land settlement; Canadian agencies were established in London, Dublin, Belfast, Glasgow and Antwerp with travelling agents in other centres of population. The usual publicity methods were adopted. Progress however was comparatively slow. Shortly before 1900 the Dominion Government gave to this colonization policy a greatly increased importance in its national programme,

and this increased effort synchronizing with very favourable world conditions, gave to Western settlement a new and powerful stimulus. In the five years from 1901 to 1905 (inclusive), there were granted in the territory that is now Alberta, about 40,000 homesteads. By 1905 there were sufficient settlers between Manitoba and the Rocky Mountains, to justify the Dominion Government in organizing the two Provinces of Saskatchewan and Alberta, with a population estimated at over 200,000 each.

Thus Alberta commenced its Provincial career on the flood tide of immigration and settlement activity. High rates of interest were demanded and paid, while capital in abundance awaited investment and provided for the construction of railways and communication and public services. These in turn encouraged more rapid immigration. For the first few years after 1905, the progress of colonization and development was so great, as to be almost without parallel in modern history. Since the turn of the century the population within the area that is now Alberta has increased in approximately the same ratio as did the population of England between Queen Elizabeth's day and our own.

When it is remembered that this great settlement took place over an immense area at a time when its climatic characteristics were but imperfectly known, and its soils had not been investigated, the possibilities of error and maladjustment may easily be imagined, and experience was to prove how serious these errors were, both for the individual and for the Government of the Province.

The rapidity and extent of settlement instituted by the Dominion Government resulted in heavy demands upon the revenues of the Province. The Central Provinces had been building highways for at least a generation before Alberta was created a Province, and before the automobile and truck were known. In Alberta the automobile was creating demands for improved roads even while in many parts a rapidly growing and wide spread settlement was clamouring for these primary facilities. Ferries had to be provided and bridges had to be built. The Government, even in the first years of its history, spent more for these purposes annually than it received in subsidies from the Dominion Government. While meeting these demands incidental to widely scattered colonization and settlement, the Government was also called upon to meet the burdens resulting from new conceptions of governmental services. Even the older Provinces with their well settled and well established

populations, which had long since passed the colonization stage, found great difficulty in meeting these new demands out of ordinary revenue.

In addition to the constant pressure of the problem of providing the revenue to meet the steadily increasing demands for governmental services, a number of special problems emerged from these early years all more or less arising from the same basic cause, that is a Provincial Government endeavouring to meet the requirements of an unrestricted flow of immigration. Before considering these special problems, however, it is necessary to appraise more fully the general aim and object of the colonization policies adopted, and the method of land settlement resulting from these policies.

1. SETTLEMENT POLICIES WERE NATIONAL IN SCOPE AND AIM

In the first place, Western settlement was part of a general national policy designed not only to complete the physical basis of Confederation by providing, as far as practicable, continuous settlement from coast to coast, but also to promote the industrial development of the older Provinces. The Imperial Order in Council, following the deed of surrender from the Hudson's Bay Company, transferred the lands of the Northwest Territories and Rupert's Land to the Dominion Government as a trust for the people who would settle therein. The immigration and colonization policies, however, were not designed solely to promote the interests and welfare of the people who might settle in this area but were designed to promote the general welfare for the whole of Canada.

The accuracy of this statement is fully established by a perusal of the debates in the Dominion Parliament on the Autonomy Bills introduced by Sir Wilfrid Laurier in 1905. It is now a matter of common knowledge that, in organizing the two Provinces of Alberta and Saskatchewan, the Dominion Government departed from a principle which, excepting in the case of the Province of Manitoba, had been consistently followed when the privileges of self-government had been accorded the other Provinces of Canada; that is, the control of the public domain was not transferred to these Provinces but was held by the Dominion Government and an annual grant in lieu of lands was paid to the Provinces as compensation for the rights which had been withheld. It is equally a matter of common knowledge that the reason given for withholding the public lands from these Provinces was to insure that land settlement policies would not be adopted by the Provinces which would conflict with the immigration policies adopted by the Dominion Government. In other words

the Dominion Government wished to insure that the efforts then being made to attract immigrants to Canada would not be impeded or thwarted by policies which might be established by the Provincial Governments looking exclusively to the interests of the Provinces. Indeed some of the statements made prior to 1905 and at that time reveal the aim and purpose of the immigration policies of the Dominion.

In 1903 the Honorable Clifford Sifton used these words: "I want the House to understand the policy which this Government is following. It is endeavouring to build up a consuming and producing population in our vast western country *for the purpose of giving legitimate occupation, without excessive duties, on a legitimate business basis, to the mechanics and artisans in Eastern Canada;* and it is not necessary in order to give that occupation that we should have a fiscal policy which is oppressive to the people who are actually furnishing the money to pay for the goods which are produced in Eastern Canada." In passing it is interesting at least to note that the speaker recognized that high protective tariffs would be a burden upon the agricultural settlement of Western Canada.

Again in 1905 the same speaker used these words: "So, Mr. Speaker, I am clear upon that point; and if there is anything I can say to the Members of this House that I think should commend itself to the judgment of both sides, I would say that nothing could be done which would more certainly imperil a successful settlement policy upon which the greatness and increase in the financial strength and resources of Canada depend than, under any circumstances, to allow the public lands of the Prairie Provinces to pass from the control of the Dominion Government."

Again in the same year the Honourable Frank Oliver, then Minister of the Interior, used these words:

> "This Dominion of Canada can make millions out of the lands of the North-west, and never sell an acre; it has made millions out of these lands without selling an acre. The increase in our customs returns, the increace in our trade and commerce, the increase in our manufactures is to a very large extent due to the increase in settlement on the free lands of the North-West Territories. The prosperity this Dominion is enjoying to-day is to a very large extent due to the fact that the lands of the North-West Territories have been given away and that people have taken them. I say that the interest of the Dominion is to secure the settlement of the lands, and whether with a price or without a price makes little or no difference. It is worth the while of the Dominion to spend hundreds of thousands of dollars in promoting immigration to that country and to spend thousands and thousands of dollars in surveying and administering these lands, and then to give them away."

These facts, therefore, seem to be clear and indisputable:

1. That the Dominion Government maintained the control of the public lands of the Province in 1905.

2. That the policies adopted in promoting immigration looked to the interests of mechanics and artisans in Eastern Canada, and to the financial strength and general prosperity of the whole Dominion.

3. That the Dominion Government was responsible for the large land subsidies to the railways, and the method of selecting lands granted to these railways.

4. That the Dominion Government is equally responsible for the method of selection allowed the Hudson's Bay Company as already defined herein.

5. That the Dominion Government is responsible for a homestead policy which confined homesteading to the even numbered sections.

Speedy settlement rather than secure settlement was apparently the major purpose at that time. A recent writer tells us. "A vigorous propaganda was instituted in Great Britain, United States and selected European countries; immigration branches were opened, every possible means of advertisement was used, and a bonus was offered to agents for each immigrant secured. During the decade from 1898 to 1908 about seven million dollars was spent by the Immigration Branch of the Department of the Interior."(1)

In 1911 Arthur Hawkes was appointed by the Dominion, to make a study of ways to increase the flow of immigrants. He strongly urged the expansion of propaganda to advertise the possibilities in the Dominion. He states, "The report is based on the facts that the ultimate justification for a vast and seemingly endless inflow of capital to Canada must be a producing population on the soil, and that natural increase cannot keep pace with the opportunities that are being opened up."(2) Again he states, "The total cost of immigration — $1,028,000 — does not amount to a stockbroker's commission on the capital brought in by the immigrants; to say nothing of the money invested on account of their coming. Besides, the Dominion Treasury makes a profit on every immigrant from his arrival in the country."(3) Propaganda in the United Kingdom took five main lines; distribution of special literature, delivery of lectures, newspaper advertising and publicity, displays of Canadian products, activities of railway companies.

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(1) L. G. Reynolds—"The British Immigrant: His Social and Economic Adjustment in Canada," Oxford University Press. 1935, p. 38.
(2) Report on Immigration, 1912, p. 6.
(3) Ibid., p. 32.

The huge grants of land to the Canadian Pacific Railway enlisted the pecuniary interest of a great private enterprise in a greater inflow of immigrants. The Canadian Pacific Railway Company became the greatest colonizing agency in Canada, and its slogan, "Ask the C.P.R. about Canada", was no idle one. By 1923, over 100,000 farms in Western Canada had been settled directly through the efforts of this company according to Sir Edward Beatty.[1] These facts are reported not by way of blame, but merely to indicate that national problems have arisen due to a national policy and all our Governments must unite in implementing a solution.

It is not intended to suggest that the colonization policy of the Dominion Government, was formulated with an entire disregard of the interests of Western Canada. It is suggested that it was designed for the benefit of Canada generally, to increase Canada's export trade by bringing the western plains into production, and to extend a market for the industries of Eastern Canada, and that the disabilities to the Provincial Government resulting from a policy of speedy settlement, were not fully appreciated. From the standpoint of the nation, it has been argued that the policy, of which western settlement was a necessary part, has fully justified itself. If, however, experience has shown that this method of settlement has left a train of difficulties and embarrassments for those who became responsible for Provincial and Municipal Government, and if inequalities implicit in the situation of the West have become manifest. it does seem reasonable to expect that the resulting burdens should be borne mainly by the Dominion Government.

2. THE WIDE DISPERSION OF SETTLEMENT

With great rapidity settlement spread over the Province of Alberta, from its southern corners north to the Peace River district, and this Province-wide dispersion of settlement has created insurmountable difficulties for individual settlers, for remote communities, and for government alike. Some of this undue dispersion may be attributed to the settler, to whom far pastures looked green, and who hoped that the railway would soon catch up with him, no matter how far out he went, and that he would gain in time by increasing values. Speculation, venturesomeness, and imprudence doubtless played their part, but the more potent cause is to be found in the general policy of land settlement already discussed, and of this policy the opening of lands for homestead entry was a decisive factor. The land reserved

(1) J. T. Culliton—"Assisted Emigration and Land Settlement," 1928, McGill University, p. 70.

from settlement in every township of 36 sections bulked large. Sections 11 and 29 were reserved for schools; the Hudson's Bay Company was given sections 8 and 26 in every fifth township and section 8 and the south half and north-west quarter of 26 in all other townships, extending from the International Boundary to the North Saskatchewan River. The Canadian Pacific Railway Company was entitled to select odd-numbered sections anywhere in the Province up to the limit of its allotment. The Calgary and Edmonton Railway and the Alberta Railway and Irrigation Company were entitled to select odd-numbered sections within 20 miles of either side of their lines.(1) Thus these allotments forced homestead and other settlement largely into the remaining sections and all together contributed to the scattered character of the settlement. The holding of large areas by land companies which naturally sought to settle their own lands, and the extravagant hopes for early railway facilities, even for very remote settlements, all contributed to a seriously wasteful dispersion, with the resulting difficulty of supplying such necessary services as roads and schools. With the passage of years increased railway and highway facilities have lessened the difficulty but in many areas children still travel long distances to school daily, and there is a constant withdrawal from farms of families that can no longer tolerate the isolation from medical aid, or from educational facilities. As an extreme illustration of remote settlement, as late as 1914, it is on record that the first carload of wheat to be shipped out of the Peace River country was grown at Vanrena and hauled by team more than 100 miles over the old trail to the railway at Reno.(2)

When the Province assumed control of its land in 1930, it imposed restrictions on its homestead entries, with respect to distance from a railway and as to the character of the land settled, but before the Province was in a position to exercise any control, the peak of settlement had passed. Serious as the consequences of dispersed settlement have been for the ordinary administration of the Province, they were to prove yet more serious, as remote districts and isolated settlers came to share or to desire to share, in the wider range of social services which governments to-day are under obligation to contemplate.

The scattered character of population places heavy burdens upon the people and the Government. The great distances to adequate shopping centres, schools, churches and places of entertainment is a handicap to a successful and contented farming

(1) Both these lines were subsequently taken over by the C P R
(2) Canadian Frontiers of Settlement, Vol. VI, p. 40, by C. A. Dawson.

population. Alberta has about 20 per cent more miles of telephone wire per station than is the case in Ontario, as indicated in Table I.(1) The number of miles of highway per 1,000 population in the several Provinces is also indicated.

TABLE I

	Miles of Highway per 1,000 Population	Miles of Wire per Telephone	Ratio of Occupied Acres To Total Population (Acres)	Ratio of Occupied Acres To Rural Population (Acres)
Prince Edward Island	41	1.47	13.53	17.61
Nova Scotia	29	2.38	8.39	15.30
New Brunswick	28	2.11	10.17	14.87
Quebec	12	4.69	6.02	16.31
Ontario	20	4.31	6.66	17.10
Manitoba	49	5.18	21.61	39.39
Saskatchewan	169	5.22	60.40	88.25
Alberta	123	5.15	53.28	86.02
British Columbia	32	3.39	5.10	11.82
CANADA	42	4.30		

Alberta has to maintain 500 per cent more miles of highways per 1,000 people than Ontario, and 200 per cent more than the people of Canada generally. The travelling health clinic, to be discussed later, maintained by Alberta since 1921 at considerable cost, is a direct outgrowth of the sparse settlement. Settlements long distances from the nearest doctors compelled the Province to bring health services within reach. This tabulation also shows that the number of occupied acres per person in the West is much higher than in the central Provinces.

Whether the Province, had it been in control of the land, would have followed a policy which would have proven less burdensome in the long run cannot be dogmatically asserted. However, the Province close to the facts, conscious of the problem of providing schools, roads and other governmental facilities possibly would have been quicker to sense the potential dangers of a too rapid and scattered settlement. Indeed in the late 1920's the Premier of Alberta, fully conscious of the implications of the settlement policy, urged greater selectivity and a reduction in numbers. Had the Province been in control of the natural resources, a sounder settlement policy would probably have been evolved. This difference of interest is well expressed by Honourable Frank Oliver, Minister of the Interior: "One honourable gentleman said that the lands could be better administered by

(1) Canada Year Book, 1936, gives Alberta road mileage as 60,000, whereas it should be 90,000.

the Province than by the Dominion because the people of the Province were closer on the ground and the interests of the Province, he said, were just the same as the interests of the Dominion. I beg to differ; their interests are not the same. The interest of a Province in the land is in the revenue it can derive from the sale of the lands; the interest of the Dominion in the lands is in the revenue that it can derive from the settler who makes that land productive . . . But the Province is not in that position. The Province derives no revenue from the customs duties or from the wealth which the settler creates. Every settler who goes on land in the North-west Territories is a bill of expense to the Provincial Government. That settler requires a road made, he requires a school supported, he requires the advantages of municipal organization, and these have to be provided for him out of the funds of the Provincial Government, so that as a matter of fact the tendency of the Provincial Government is to get such money as it can out of the land and to prevent settlement from spreading any further than can be helped. On the other hand, the interest of the Dominion is to get the settlers on the land, to scatter them far and wide so long as they are good settlers and they get good land."(1)

These are the words, be it remembered, of the then Minister of the Interior, whose Department of Government was responsible for carrying into effect the immigration and colonization policy of his Government. They can be presumed, therefore, to voice the general viewpoint not only of his Department but also of the Government of the day. It is doubtful if any other words can more clearly indicate the contrast in the effect of the free homestead policy. To the Dominion Government and to Canada generally it was a great boon financially and commercially; to the Province it was a burden of expense that made a constant drain on the financial resources of the new community.

3. SETTLEMENT OF MARGINAL AND SUB-MARGINAL LANDS

That, in the settlement of Alberta, large tracts of land were opened for settlement which experience has shown to be unsuited for permanent agricultural use is too well known to call for elaborate statement. The most serious instance is found in what has come to be known as the Palliser Triangle which includes a semi-arid and arid area in the south-eastern portion of the Province and extends throughout a large part of southern Saskatchewan. In the portion of this area lying in Alberta successive periods of drought years led the Government of Alberta to undertake plans of rehabilitation and resettlement, while the disastrous conditions prevailing throughout the entire area in Alberta and

(1) Hansard, 1905, Vol. II. 3157.

Saskatchewan finally convinced the Dominion Government that extensive plans of rehabilitation should be undertaken and these are now being carried forward under the terms of The Prairie Farm Rehabilitation Act. After making every allowance for the greater knowledge and wisdom which experience has brought, nevertheless, from a study of the Sessional Papers of the Department of the Interior and of the reports of surveyors and explorers, it would seem that ample warning had been given of the unsuitability of this area to any other form of agricultural production than that of ranching. Without appearing to be unduly critical, therefore, one may now suggest that if less attention had been given to speed of settlement and more attention to the ultimate success of the settler on the land, large parts of this area would not have been thrown open under a homestead policy.

Viewed from the standpoint of the settler only, it may even be said that it was a mistake to locate the first transcontinental railway across this semi-arid belt rather than through the northern fertile belt as first proposed in Sanford Fleming's Survey. However, national considerations prevailed and the southern route was chosen in order to check the tendency of railway companies in the United States to project branch lines across the International Border to tap Canadian territory.(1) The effect of this decision in subsequently forcing all freight traffic to and from this Province over the long route to Eastern Canada will be dealt with elsewhere.

That the Canadian Pacific Railway Company was aware of the doubtful value of lands in the southern part of Alberta and Saskatchewan, is evidenced by the fact that it selected its allotment largely from the more northerly parts of Alberta and Saskatchewan. Very little land was chosen by this company from the territory from Moose Jaw westward to the Rocky Mountains, at least until it was persuaded that irrigation would be successful, when certain lands were selected by the company and were granted in a block. For the most part, the company made its selections in the area between Edmonton and Battleford. Any information possessed by this company as to the nature of the lands in the southerly part of these Provinces was equally available to Departmental officials, and the very fact that this company avoided this area in making selections should at least have aroused the suspicion of Departmental officials.

Previous to 1906 there had been little invasion of the area known as the Palliser Triangle by the grain farmer, but after that year and particularly after 1911 there was a continuous

(1) Cartoons depicting the onrush of mammoth locomotives into Canadian territory from the Great Northern Railway running through North Dakota and Montana appeared in Canadian newspapers.

increase in settlement within that area. It may be well, therefore, to review briefly some of the evidence available at that time of the geology and climatology of the short grass plains.

During the years 1857 to 1860, Captain John Palliser, accompanied by Dr. Hector and others, was commissioned by the British government to explore "that portion of British North America which lies between the northern branch of the River Saskatchewan and the frontier of the United States, and between the Red River and the Rocky Mountains, and to record the physical features, nature of its soil, its capability for agriculture, the quantity and quality of its timber and any indication of coal and other minerals." In his subsequent reports Palliser divided the country between the Laurentian Shield and the Rocky Mountains into two parts, the "fertile belt" and the "semi-arid desert". The fertile belt was the wooded and park area, while the more or less arid desert was the treeless prairie or "true prairie" as he called it. Following this survey he sketched his now famous triangle. While this triangle probably took in more territory on the west than was justified, in the main it corresponds to the dry area as we know it today. In his daily journal he often mentioned that sloughs and creeks were dry, that he had difficulty in getting water for his horses and that pasture was scarce in many parts. He expressed his opinion that the northern fertile belt was well suited to agriculture and would maintain a farm population, but that the area within the triangle was unsuited to agricultural settlement. He shrewdly recognized the factors that would condition the development of agriculture in Western Canada, and suggested the types of farming which we now know will be essential to the development of a permanent agriculture in that area.

Hind in 1860 reported, "No tree or shrub or even willow could be seen in any direction from our camp (near Moose Jaw Forks) . . . the country was an undulating, treeless plain, with a light and sometimes drifting soil, occasionally blown into dunes, and not in its present condition fitted for the habitation of civilized man." Professor John Macoun in 1879 made a more favourable report, but even he writes that "There were at least 400 miles from Moose Jaw where there were no trees and scarcely a shrub." He also reports that he found dried and withered grass and dried creeks on each line of travel. In 1894 he reports that the country was drying up, lakes were disappearing and many settlers were leaving the land. Another important testimony of the limited productive capacity of the southern portion of the prairies is found in the report of Commissioner French of the North-west Mounted Police in 1874. He led the main force of the newly formed police across the plains to Macleod that

summer. His diary reads like fiction; horses and oxen literally starved to death for lack of feed in addition to the scarcity of good water. For nearly half a century after the explorations by Palliser, observers and surveyors made reports from observations and experience which confirmed the observations of Palliser. Reference may briefly be made to the reports of A. P. Patrick, D.T.S., in 1879; Montague Aldous, D.T.S., in 1881; William Ogilvie, in 1881, and W. T. Thompson and C. A. Magrath in 1882. Many others could be mentioned.

In addition to this store of information it may be mentioned that meteorological stations had been established at Medicine Hat in 1883, in Calgary in 1885, and in Macleod in 1896. The average annual rainfall at these points to December 31st, 1901, was shown to be 8.061, 8.271 and 7.735 inches respectively. This annual amount of precipitation is of course too little to permit of successful agriculture.

Even more interesting information is obtained from a perusal of the reports of the immigration agents, particularly the agency established at Medicine Hat as early as 1886, and more particularly the reports with reference to the experience of German settlements that had been established at Seven Persons, Rosenthal and Josephsburg. The experience of these settlers should have been sufficient to at least arouse the gravest doubt as to the suitability of this southern area for wheat and grain farming.

It is interesting to note also that as early as 1894, following a succession of reports by William Pearce and J. S. Dennis, the Department of the Interior was interesting itself in the desirability of irrigation in parts of this southern area. It is, of course, obvious that irrigation is not necessary in any area naturally adapted to successful grain farming. In 1894, J. S. Dennis of the Surveys Branch of the Department of the Interior was dispatched to the United States to study irrigation at first hand. Probably as a result of his report, the first Irrigation Act was passed by the Dominion Government in that year. The following extract in the report of the Department of the Interior for 1896 is of interest as it indicates that the Department at that time was aware of the general nature of this southern area. The report reads, in part, as follows: "The settlers, therefore, fondly hoped that the dry seasons were exceptional and confidently looked for a return of the conditions which had prevailed in 1894. *But the ever recurring dry years have at last convinced the most skeptical that they live in an arid region and that to irrigation alone they must look for the means of making a livelihood.*"

The tragic story of the dry area is the most striking illustration of ill-formed and misguided settlement throughout the

West, directed by the Government of Canada, and the errors made have all had to be liquidated, dearly and painfully. One does not readily forget that in June, 1931, Professor W. A. Mackintosh, in one afternoon, met twenty-eight settlers' "outfits" moving north from the dry area of western Saskatchewan. All told the same story: "We know we will not make money up here, but we can build a home, we can get enough to eat and wear and, at least, it rains." They had never heard of Palliser, Professor Mackintosh adds, but they shared his opinions.

The large area of settled land that is marginal, but not definitely arid, creates a difficult situation of its own. Under favourable conditions it has produced heavy crops, and still can do so, but the intervening years of failure, especially when depressed conditions prevail, make the life of the settler one of constant strain and anxiety. Even with such knowledge and experience as has been gained, it is not yet clear how the areas, dependent on variable rainfall, are best to be used, in the interest of the present and of the future. Beyond any doubt, these will be preserved ultimately for, and maintained in, highly profitable use. All that it is now desired to point out is that settlement, as originally promoted, has bequeathed to a whole generation of settlers, and to their Provincial Government a problem of serious magnitude. In 1905, when the Province was formed, the consequences of settlement as promoted by the Dominion had not had time to appear. Now, it seems reasonable to ask that the nation should review the local effects of the policy of expansion, of which western settlement under Dominion direction was a necessary part.

4. THE PROBLEM OF RE-SETTLEMENT

Except in the case of limited areas, within which for certain periods the homesteader could acquire a second quarter section by pre-emption, the homestead unit was set at 160 acres, irrespective of climatic conditions, the nature of the soil, its location, or other considerations. The picture in view was the farmer with his team and a walking plow. Methods, machinery, and markets have completely altered the picture. There is still argument as to the economic size of the farm unit, which naturally varies according to the place and circumstances, but over large areas it seems to lie between 320 and 400 acres, with a wide upward range where highly organized mechanical methods are employed. The readjustment of land holdings to meet the needs and experience of a newer age has necessarily involved a steady change towards larger farms with a corresponding change in rural population.

In Census District Number 1 in the south-east corner of the Province in 1936, out of 6,651 farms, 4,985 embraced 300 acres or more. In Census District Number 2 in the south-west corner of the Province just since 1921 the number of farms of 300 acres or larger has increased by 121 per cent, while the total number of farms increased only 67 per cent. In District Number 11, of which Edmonton is the centre, the number of farms of 300 or more acres has increased 190 per cent since 1921, while the total number of farms has increased only 12 per cent. Were we to examine the trend before 1921 (Census district data are not available) we would find even a more pronounced shift from small to large scale farming which has entailed a terrific reconstruction of the economic and social life of the people.(1) Many factors have entered into the readjustment, in so far as that has been made, and it may be hoped that for large areas the most difficult period of readjustment has been passed. It is not suggested that any community is ever immune from the recurring need for readjustments, but that for the West, because of the original conditions of settlement over which Alberta had no control, readjustment on a very large scale has been called for.

(1) Part of this disruption is to be explained by the invention of new types of agricultural machinery, but the bulk of it is traceable to a misconception of the type of agriculture adapted to the West.

CHAPTER V.

Special Problems Arising From Land Settlement Policies

In the previous chapter attention was directed to the increased burden which the Province had to assume by reason of policies of colonization and land settlement pursued by the Dominion Government until the Dominion transferred to the Province its unalienated natural resources in 1930. Attention was directed not only to the speed of colonization and the wide dispersion of settlement but also to the tragic error of allowing settlers to enter for homesteads in the drought area in the south-eastern portion of the Province. In addition to the general increase in the cost of government resulting from such policies, a number of special problems emerged which have severely affected the financial position of the Province. Each of these problems had its origin in the same set of causes already referred to, namely, the rapidity and the wide dispersion of settlement and more particularly the settlement of sub-marginal land.

1. The Problem of Rehabilitation of the Drought Area

It was pointed out in the previous chapter that there was very little settlement in the so-called Palliser Triangle prior to 1906, but from that year until 1911 lands in that area were quickly taken up. This was no doubt partly due to the establishment of the main line of the Canadian Pacific Railway through that portion of the Province. Prior to 1906, because of the nature and quality of the grass, the settlement had been of the type for which it was more naturally adapted, namely, that of ranching. It is to-day a by-word in western Canada that the "short grass" country of southern Alberta was destroyed by homesteading. The rapid settlement by the wheat farmer and the consequent breaking up of the natural turf for wheat farming purposes, very soon gave rise to a problem which has continued with increasing intensity ever since.

Until the year 1914 wheat farming was reasonably successful, due partly to the normal precipitation occurring at a time of the year when it was most needed and in some measure to the fact that the settlers were possessed of a reasonable amount of capital. The drought of 1914, however, was so disastrous and widespread that the Dominion Government was obliged to

furnish not only requisite food but seed grain and fodder to enable the settlers to put in a crop in 1915. Heavier precipitation in the years 1915 and 1916 revived the dying hopes of the settlers but in 1917 drought conditions were again so serious that demands were made upon the Provincial Government for agricultural relief. These demands were first limited to seed grain but afterwards broadened to include fodder and other forms of agricultural assistance. From 1918 to 1922 (inclusive), agricultural relief was granted in every year to the majority of the municipal districts and the improvement districts in this area. Some of these units did not make application until 1919 and very few refrained from application until 1920.

In 1920 and the following four years the general situation was aggravated by depressed economic conditions and the resulting decline in the prices of farm products. Settlers began to move out of the territory in substantial numbers. The Provincial Government realized that some policy of rehabilitation was necessary and concluded that the first essential was to give the settlers some measure of protection against their creditors. Accordingly The Drought Area Relief Act was passed in 1922. This Act applied only to the southern portion of the Province and it embodied many of the features now found in the provincial debt legislation of both Saskatchewan and Alberta, and may be considered to be the forerunner of the debt adjustment legislation which has since prevailed in western Canada. In 1923, The Drought Area Relief Act was repealed but re-introduced in much the same form under the name of The Debt Adjustment Act although it was still made applicable only to the southern portion of the Province.

Following 1922, a series of years with greater precipitation alleviated the distress, and with the protection afforded the settlers by The Debt Adjustment Act, no further demands were made upon the Provincial Government until after 1930 when a further succession of dry years appeared. From 1931 to 1937 the Province has been obliged to furnish seed grain and relief to a greater or less extent each year to the majority of the municipal districts and improvement districts in the area.

In 1927, realizing that more drastic action was required to meet the problem, which had then assumed very serious proportions, the Government formulated plans to relieve the settlers of the heavy load of relief and arrears of taxes which had accumulated during the dry years. A Board was created under The Tax Consolidation Act of that year to hear applications for

the cancellation or adjustment of arrears of taxes and relief. Each application was dealt with on its merits and such adjustment made as appeared fair and reasonable. The Dominion agreed to become a party to the arrangement for the purpose of adjusting those seed grain advances made by the Dominion in the early years of settlement. Table I, showing the amount written off by the Province, gives some indication of the problem which had arisen.

TABLE I

LOSSES ON AGRICULTURAL LOANS AND TAXES, 1927 - 1937

	Seed Grain	Other Advances	Taxes	Totals
Charge-offs	$2,251,350	$1,347,787	$9,657,529	$13,256,666
Uncollectables	3,641,863	2,871,565	....	6,513,428

Grand Total for Province .... $19,770,093(1)

(1) Data secured from the Department of Municipal Affairs, Alberta, 1937.

The cancellation of seed grain arrears only includes the period to 1922. These figures show that advances for seed to the amount of over $2,250,000 had to be written off, while a further sum of approximately $3,600,000 is now classified as uncollectable and must still be written off. Other advances to distressed farmers, apart from direct relief, which will probably never be collected, amount to approximately $4,200,000, while arrears of taxes have been written off to the extent of approximately $10,000,000. In other words, the amount already written off and the amount classified as uncollectable amounts to approximately $20,000,000. In calculating these figures no account has been taken of uncollected school taxes and in fact, the figure for taxes is in other respects an understatement. This is due in part to the fact that departmental records were destroyed by flood and complete data are not available. A considerable further loss is inevitable because approximately ten thousand parcels of land were in process of tax sale in 1937. These lands have largely been abandoned and will be taken over by the Special Municipal Areas Board, at which time all taxes will be cancelled. A very conservative estimate places the average amount of taxes per quarter section of land which must be written off at $200. This loss, together with the loss which will result from the writing off of school taxes on these ten thousand parcels of land, will increase the figures given in Table I by at least another $4,000,000.

Occasionally reference is made to the three-party agreement recently completed between the Dominion Government, the Government of Saskatchewan and the various investing companies in that Province, whereby the investing companies reduced the rate of interest on mortgage debts and wrote off a certain portion of the arrears of interest; the Province wrote off a large part of arrears of taxes and relief indebtedness while the Dominion wrote off the advances to the Province to provide seed grain and fodder. The suggestion has been made that the Province of Alberta should enter into a similar arrangement. The Government has declined to do so, however, first, because it considers that in view of the drastic decline in land values in the dry area, a much larger reduction in farm debt must be made to give any adequate relief; and secondly, as shown above, over a period of years this Province has already done everything that the Province of Saskatchewan has done under the agreement referred to. An analysis of the adjustments and reductions made in the two provinces will show also that on the basis of the comparative areas involved, the write-off in this Province has been as large or larger than in the Province of Saskatchewan. It would seem, therefore, that in view of the agreement made between the Dominion and the Province of Saskatchewan, the Government of Alberta has every reason to expect that the Dominon will accord it the same terms as were accorded the Province of Saskatchewan and will write off loans made to the Province of Alberta to provide seed, feed and other agricultural relief.

As a further step towards the rehabilitation of the dry area, the Government of Alberta in 1927, evolved the principle of The Tilley East Area Act. A special area known as the Tilley East Area was defined and placed under the direction of an administrative Board. Any remaining municipal districts were disorganized and a process of consolidation of units undertaken for the purpose of reducing administrative costs. Settlers who wished to leave the area were assisted in moving to lands in other parts of the Province while the Provincial Government undertook rearrangement and consolidation of holdings so as to make them more adaptable to ranching. The success following this effort seemed to warrant the extension of the scheme, and in 1932, a further area was defined, known as the Berry Creek Area, and similar work was undertaken in that area. Since then the area has been extended northward to include the Sounding Creek, Sullivan Lake and Neutral Hills districts and this entire area of approximately eight million acres is administered under The Special Municipal Areas Act. Recently,

the Dominion Government has become convinced of the necessity of far-reaching policies of rehabilitation in the dry area of western Canada and is undertaking this task under the terms of The Prairie Farm Rehabilitation Act. The Government of Alberta believes that the experience gained by it in the administration of the Tilley East Area and the Berry Creek Area will be of great assistance in the administration of The Prairie Farm Rehabilitation Act.

In the preceding chapter it was shown that the responsibility for opening this part of the Province for homestead entry rested entirely with the Dominion Government, and there is ample evidence that the Departmental officials were aware of the general characteristics of the area. In view of the fact that the Dominion Government is now assuming the entire responsibility for the rehabilitation of the great drought area in southern Saskatchewan and Alberta, the Government of Alberta feels it is entitled to ask that the efforts which it has made to ameliorate conditions in that portion of the dry area within this Province, should be taken into consideration in any readjustment of the financial relationship between the Dominion and the Province.

2. THE PROBLEM OF IRRIGATION

This now leads to the problem of irrigation in relation to the whole question of rehabilitation of the drought area in Alberta. In relation to land settlement policies there is a partial solution peculiarly applicable to the arid areas in southern Alberta, and that partial solution consists of the conservation of the abundant supply of water in the rivers flowing through the Province and the application of that water to the use of agriculture. The value of irrigation in the rehabilitation of the distressed areas in question and in the rehabilitation of the individuals who can be moved from those areas which cannot be irrigated into areas which can be irrigated, is of the utmost importance. *This is a question of national concern. It constitutes a national problem which can only be dealt with on a national basis.*

PROVINCIAL GUARANTEES

The Province has suffered a very serious financial loss under its guarantees of the bonds of the Lethbridge Northern Irrigation District and of certain smaller districts. Whether or not the government of the day reasonably could have avoided entering into these guarantees, it is now difficult to say. Delay might have resulted in the Dominion Government being forced by public

opinion to make a contribution at least. But as will be shown later an intense public demand had been developed, encouraged not a little by reports and observations emanating from the Department of Irrigation of the Dominion Government as well as by the apparent success attending irrigation projects already established under The Irrigation Act of 1894. Apart from the financial loss to the Province, the operation of the Lethbridge Northern Irrigation District in the main has been satisfactory and it seems inevitable that irrigation to a greater or less extent must be resorted to as part of the huge scheme of rehabilitation now being undertaken in the dry area by the Government of Canada. The Government of Alberta submits that in the light of the history of these projects as well as in the history of land settlement in southern Alberta and the economic benefits of irrigation projects to the Dominion of Canada as a whole, it should not be obliged to carry, unassisted, the entire burden of loss under these guarantees.

For many years irrigation has been practised in the Province of Alberta and already a very substantial acreage has been brought under water, but there is still an immense undeveloped field. To develop this potential field is the imperative duty of the Dominion Government which permitted the settlement of the areas in question. Table II indicates the projects so far established in the Province together with the total irrigable acreage and the approximate date when each project was established. The first four projects listed were assisted by guarantees of the Provincial Government. The remaining projects were built by private enterprise. In addition there are approximately 360 small private projects comprising about 56,000 acres.

TABLE II.

Project		Year Undertaken	Total Irrigable Acreage
Lethbridge Northern Irrigation District		1919	93,000
United Irrigation District		1919	34,166
New West Irrigation District	July	1922	4,563
Little Bow Irrigation District	March	1922	3,093
Canadian Pacific Railway, Western Sec.		1903	218,980
Canadian Pacific Railway, Eastern Sec.		1903	250,000
Canada Land & Irrigation Company		1908	130,000
A. R. & I. Company	(about)	1899	100,000
Raymond Irrigation District	March	1925	15,130
Magrath Irrigation District	June	1924	6,975
Mountain View Irrigation District		1923	3,500
Taber Irrigation District	August	1917	21,499
Total			880,906

It can be conservatively stated that there is in southern and east central Alberta an area of approximately 2,300,000 acres, in addition to the above acreage, which can be placed under water. This area may be defined as follows:

1. *Possible extensions where ditches were once constructed but have not yet been operated—*

Eastern Irrigation District	100,000 acres
Canada Land & Irrigation Company	150,000 acres
	250,000 acres

2. *Projects surveyed but not constructed—*

Lethbridge South-Eastern	415,000 acres
South Macleod	50,000 acres
Champion	50,000 acres
Retlaw-Lomond	115,000 acres
Small Projects	25,000 acres
North Saskatchewan (William Pearce) Project	1,400,000 acres
Total	2,055,000 acres

It will, therefore, be apparent according to information available at the present time that it would be possible with an adequate supply of water to have under irrigation approximately 3,200,000 acres of land. It is believed that if this were accomplished and adequate markets provided for the produce from these lands, the problem of the dry area in so far as Alberta is concerned would be solved.

As at March 31st, 1937, the total net outlay of the Government under its guarantee of the bonds of the Lethbridge Northern Irrigation District amounted to $6,410,821.88.

In addition the Province is still liable under its guarantee for the payment of the outstanding bonds of the four districts, as of March 31st, 1937, in the sum of approximately five million dollars made up as follows:

Lethbridge Northern Irrigation District	$5,400,000.00
United Irrigation District	550,000.00
New West Irrigation District	209,500.00
Little Bow Irrigation District	26,000.00
Total	$6,185,500.00
Less Sinking Funds, Cash and Investments	1,273,727.93
Balance	$4,911,772.07

To make the picture complete there should be added to the above the outlay of the Province with respect to the three smaller districts as of the same date as follows:

United Irrigation District	$252,984.91
Little Bow Irrigation District	19,888.06
New West Irrigation District	200,386.37
Total	$473,259.34

The total amount which the Province has therefore expended and for which it remains liable under its guarantees, including future interest, is $16,921,728.29 made up as follows:

Total net outlay Lethbridge Northern	$ 6,410,821.98
Total outlay other three Districts	473,259.34
Remaining Liability under Guarantee	4,911,772.07
Future Interest	5,125,875.00
Total	$16,921,728.39

Future interest for the purpose of this statement is calculated at full rates. If computed on the basis of half rates now being paid by the Province, the above mentioned sum of $5,125,-875 would become $2,562,955.

It is expected that the United District will be able to meet all future debenture payments of principal and interest and that the loss to the Government will not exceed the outlay to date, namely, $252,984.91. With the exception of a possible salvage of approximately $50,000 the Province expects to lose its entire investment in the New West District which, with future interest, will total about $710,211.37. The Province expects to collect in due course, in the Lethbridge Northern District about $2,000,000 out of the sale value of the lands and water rights.

The guarantee of the bonds of the Lethbridge Northern Irrigation District was given in 1920. Although certain irrigation projects had previously been established in the Province, the weaknesses and difficulties usually accompanying the actual administration of such projects had not become apparent. The Alberta Railway and Irrigation Project had been established as early as 1900, the settlers being adherents of the Mormon Church from the State of Utah where irrigation had been extensively practised. These settlers were all experienced in the technique of irrigation and, in any event, the land was sold to them by the company at a very low price so that this district succeeded from the first. It is assumed that the railway company depended on revenue from increased railway traffic to cover its outlay in respect of this district. At the time the Lethbridge Northern project was being proposed, lands in the Alberta Railway and Irrigation Company system were being held for as high as $100 to $125 per acre. This project, therefore, appeared eminently successful and has in fact proven so. The Canadian Pacific

Railway Company obtained permission under The Dominion Irrigation Act to develop their projects in both the eastern and western sections in 1903 but the western section was only opened for the delivery of water in 1907 and the eastern section in 1914. The Canada Land and Irrigation Company was organized largely with English capital and obtained the necessary permission under The Irrigation Act in 1908 but did not commence to deliver water until 1920.

Apart from the difficulty of educating settlers on irrigation projects to the proper use and distribution of water (which difficulty has now been successfully met in those districts where irrigation is definitely established), the principal difficulty has been that of collecting from the settlers a price for the land commensurate with the land charge per acre for the completion of the system. Although this difficulty subsequently arose in both the eastern and western sections of the Canadian Pacific Railway Company System and also in the Canada Land and Irrigation Company System, the problem has not yet assumed definite proportions. At the time the Lethbridge Northern project was being proposed, therefore, the available evidence indicated that irrigation on the Prairies could be carried on without loss. The concensus of opinion now in Alberta and in the United States is, that the acre cost of irrigation cannot possibly be met by the individual farmer but is a national problem which can only be met by assistance from national funds and that it is a good investment from the standpoint of the nation to pay the major cost of irrigation schemes out of the national exchequer.

It should also be kept in mind that for over thirty-five years, irrigation had been advocated as a solution of the problems of the dry area. Reference has already been made to this in the preceding chapters. As early as 1885, William Pearce, then Superintendent of Mines for the Dominion Government, had been strongly advocating this solution. His name is still associated with a large project outlined by him which, under the name of the "Pearce Project" is still the subject of much discussion. While he complained that his reports were greatly modified by his superior officers at Ottawa, nevertheless they were the basis for departmental papers. In his report for 1893, the Deputy Minister of the Interior explained that it was not the policy of his department to countenance literature unfavourable to rapid settlement of the west but, at the same time, he gave his reasons for believing that that time had passed. The following is an excerpt from his report:

> "There have been years within the experience of the Department when the rainfall in this region was sufficient to produce the growth of cereal crops but the observations of the officers of the Department during the years that have elapsed since the completion of the railway (C.P.R.) and such inquiries as we have been able to make in reliable quarters as to previous years would indicate that the recurrence of the dry periods is so frequent that while the country would in its natural state be well adapted for the grazing of cattle, the growth of cereals could only be rendered safe and sure by the application of an extensive and scientifically planned system or systems of irrigation. It is now reasonably certain that large areas in that region could be satisfactorily and profitably irrigated by the streams flowing out of the Rocky Mountains and the Cypress Hills, and adopting the basis of calculation which decisive tests in regard to irrigation would appear to justify, that is that for every acre of irrigated land five acres of adjacent land would be rendered especially valuable for grazing and other purposes connected with the keeping and feeding of live stock."

Beginning in 1895, bulletins were issued by the Department of the Interior commenting favourably upon the possibility of irrigation, particularly in Alberta. The dry years of the early 90's, however, gave way about 1897 to years of moderate rainfall and in 1901, to an unusual amount of pecipitation. Interest in irrigation therefore waned.

In 1903, however, a publication issued at Ottawa, entitled, "Irrigation in the Northwest Territories of Canada" re-defined the semi-arid region and commented as follows: "At all the points under discussion there is a cycle of wet and dry seasons varying in length from three to six years . . . This recurrence of wet and dry periods is well established at all the points for which data is available".

In the report on irrigation for the year 1913, Mr. B. Russell, Chief Field Inspector for the Department, traced the history of proposals for irrigating the area which later became known as the Lethbridge Northern Irrigation District, stating that the importance of irrigation in western Canada could not be overlooked and that every possible scheme to reclaim this land and make it more profitable for the farmer should be thoroughly investigated.

In 1915, the Superintendent of Irrigation stated that, "portions of the district comprised in this project suffered severely from drought in 1914 and the settlers have urged upon the Department the completion of the survey and the actual construction of irrigation works".

It must not be forgotten that during the Great War there was a national call to farmers for more and more wheat and this resulted in farmers in dry areas putting into crop, land which should never have been broken up.

Drought and soil-drifting caused crop failures in 1917 and 1918, and as a result, a very strong movement developed in southern Alberta during the winter of 1918-19 in favour of irrigation development and this continued vigorously until 1921 when the Province of Alberta enabled the Lethbridge Northern District to finance construction by guaranteeing its bonds. In March, 1919, the Irrigation Development Association was formed at Lethbridge strongly supported by public opinion throughout the district. Meetings were held throughout the territory and strong pressure was brought to bear upon the Government for assistance in financing several projects, including the Lethbridge Northern. These meetings were attended by Dominion Government officials who demonstrated the advantages of irrigation farming over dry land farming and this, in itself, acted as a powerful stimulus to the demand for the construction of irrigation projects. The demand for action increased by reason of another crop failure in 1919. During the previous ten years the dry area had only produced three good crops.

The Dominion Government, definitely refused to accept any responsibility for the cost of development work, and limited the the responsibility of that Government to survey work. The Minister of the Interior defended this position in the House of Commons on the grounds that there was no Dominion Government land that would be benefitted by irrigation development, the whole being privately owned. This reasoning ignores the fact that homestead lands comprised approximately 70 per cent of the entire Lethbridge Northern area, over 90 per cent of the New West Irrigation District and about 25 per cent of the United Irrigation District and whether or not patents for these homesteads had been taken out at the time, the Dominion Government must accept the responsibility for permitting the lands to be homesteaded. That Government, having withheld the natural resources of the Province so that it could control settlement, must take the responsibility for the success or failure of its own policy. Some of the lands in this area had been granted to railway companies by the Dominion but, the obvious intention of the grant was to encourage colonization. As a matter of fact, several times in the course of debates in the House of Commons, a number of members gave it as their opinion that if the Govern-

ment of Canada had encouraged people to settle in the semi-arid districts, that Government should look after these people and help them in every possible way to make a success.

The Province was reluctant to accept the responsibility for development but, finally in the Spring of 1920, agreed to guarantee the bonds of the Lethbridge Northern District to the extent of three years' interest. It was found impossible to sell the bonds on this basis and consequently, at the 1921 Session, the Province gave a complete guarantee as to principal and interest. Construction work was thereupon immediately commenced and finished in 1924.

The cost per acre, however, was very high, amounting to over $50 per acre and within a year or two it became apparent that the lands, especially with the prices of farm produce available, could not produce enough to pay such a large cost per acre in addition to prior obligations incurred by land owners. Since 1925 three commissions in all have investigated the conditions on this project on behalf of the Provincial Government. The first, under the chairmanship of Dr. John A. Widtsoe, of Salt Lake City, an expert on irrigation matters; the second under the chairmanship of M. L. Wilson, agricultural economist of the University of Montana and now Assistant Secretary of Agriculture in the United States; and the third, in 1935, under the chairmanship of Honourable Mr. Justice A. F. Ewing, of the Supreme Court of Alberta. As a result of the recommendations of these Commissions, the land charge per acre has been very greatly reduced and it is now hoped that this difficulty has largely disappeared.

As a result of the recommendations made by the Ewing Commission, the various districts affected have put, or are putting, into effect new contracts based on the recommendations of that Commission. The fact remains, and is outstanding, that in the Eastern Irrigation District reduced land prices have resulted in substantial prosperity. It can be confidently asserted that the same result will follow in those districts where the recommendations of the Ewing Commission are put in force.

The Lethbridge Northern project is a typical example of what can be done with irrigation. In 1924, there were only 300 families in the Lethbridge Northern District. Today 800 families occupy the farms in that district. It is estimated that the whole district now supports approximately 10,000 people. The development of the sugar beet industry has contributed greatly to the success of this and other projects in the same vicinity. Two

factories now operate in southern Alberta, one at Picture Butte and one at Raymond. In payments to growers, factory payrolls, freight rates, coal and wages to labour, the two factories disburse annually over three million dollars. In 1936 and 1937 the two factories contributed to the Dominion Government in payment of sugar tax approximately $500,000 per year, while in 1938 the contribution will be approximately $756,000. In addition, the settlers of the district made a large contribution to excise, customs duties, railway revenue and manufacturing industries in eastern Canada.

ADVANTAGES OF IRRIGATION

Experience in this project has shown that the following are some of the advantages of irrigation:

(1) Good land which would otherwise be practically worthless now produces satisfactory crops. The records of the Dominion Experimental Farm at Lethbridge show that irrigated land in the semi-arid area produces better crops than dry lands at all times, even in wet years.

(2) It is now possible to grow crops other than grain, such as alfalfa, hay, sugar beets, other root crops and vegetables. The system of farming required enriches the soil and prevents soil-drifting and, in the final analysis, makes better farmers.

(3) Sugar beets can best be grown in Alberta on irrigated land. The raising of sugar beets has resulted in cleaner farms and a proper system of crop rotation as sugar beets should only be grown two years in succession on the same land, thus ensuring rotation of crops which is good for the soil. Sugar beet land must be fertilized and this requires live stock. The basis of all successful irrigation farming is diversification and a proper system of crop rotation. The growing of sugar beets brings about the ideal combination of secondary industry and agriculture functioning side by side. The sugar beet factories exercise strict supervision and insist on proper farming methods and if the grower will not carry on his operations in a manner satisfactory to the factories, he is unable to secure a beet contract.

(4) Irrigation makes possible the growth of trees, small fruits, flowers and vegetables. There are about 600,000 trees in the district at present. There is also an artificial lake with a park which provides pleasant recreation. One cannot overestimate the importance of these factors in the every-day existence of the inhabitants of a strip of territory which was, at one time, prior to irrigation, treeless, waterless, drought-scorched prairie.

(5) During the depression the irrigation farmer was at least able to make a living and required little assistance, if any, for feed, seed and other relief, although he was not able to accumulate funds for paying debts or improving his property.

(6) The widespread ramifications of the beet sugar industry affect the purchasing power of more people relatively than many other industries and provide the farmer with an opportunity of adjusting his crops to our domestic rather than foreign markets.

(7) The by-products of the beet sugar industry are tops, pulp and molasses, used extensively in feeding and fattening live stock. The village of Picture Butte in the district is rapidly becoming one of the chief feeding centres in the Province. This provides a cash market for alfalfa, hay and coarse grains and lessens the necessity of finding outside markets for these products.

(8) In dry years, ranchers find irrigation districts the only places adjacent to them where cattle can be moved for winter feeding. In the winter of 1936-37, farmers on the irrigation projects wintered over 10,000 head of cattle for ranchers in the foothills. In addition, large numbers of cattle and over 40,000 head of lambs were wintered and fattened adjacent to the two sugar factories.

(9) Irrigation increases purchasing power, provides better homes and living conditions for many people, establishes a form of agriculture particularly suited to semi-arid areas, provides a living and ample feed in dry years, protects industries which depend on regularity and continuity of supply of raw products, saves advances for relief by Governments and results in balanced farms, stable communities and employment.

(10) Irrigation districts contiguous to large areas of range lands increase the value of these lands from the standpoint of live stock production as they make possible a continuous supply of feed and this is vital when feed is not available on the range. Those in charge of the administration of the Special Areas in the dry belt fully realize that the extension of irrigation into these areas will assist in solving their problems. It will thus be evident that even without sugar beets or other industrial crops, irrigated lands contribute in no small degree to the rehabilitation of our dry areas.

Discussing the value of irrigation in terms of natural wealth, the following is a record of the total value of gross production from the Lethbridge Northern project since 1924 when water was first supplied:

1924	$ 568,273.00
1925	1,213,772.00
1926	1,526,125.00
1927	2,988,285.00
1928	1,545,263.42
1929	2,477,500.00
1932	535,827.55
1934	704,883.80
1935	761,803.60
1936	1,057,000.00
1937	1,500,000.00

It would appear that the 1936 sugar production in southern Alberta benefited the Canadian Pacific Railway to the extent of approximately $430,000 apart from freight charges on coal, lime, rock, bags and freight on other merchandise.

It would also appear that the Dominion Government has collected by way of excise tax on sugar during the years 1932, 1933, 1934, 1935, 1936 and the year 1937 up to November 30th, the sum of approximately $3,218,401.53.

It may be argued that the Dominion would receive this tax in any event if all sugar consumed in Canada were cane sugar and that the production of beets does not make any difference. It is obvious, however, that the production of beet sugar in Canada means the employment of a very large number of Canadian people whereas the production of cane sugar means the employment of very few. It is estimated that the one beet sugar factory at Raymond gives directly and indirectly, employment to more Canadian labour than all the cane sugar refineries in Canada put together while producing but approximately 3 per cent of the sugar consumed in Canada. Production of cane sugar means employment for people in other countries whereas the production of beet sugar means the employment of Canadian citizens.

It is obvious, therefore, that the Lethbridge Northern project has amply justified itself so far as demonstrating the value of irrigation in this dry area. Irrigation is not a failure and the mistaken impression that has gone abroad in that regard is due to the fact that the whole cost of irrigation development was charged against the land affected. The Province has, so far, assumed the burden and a severe loss is inevitable due to the necessity of relieving the settlers from a very substantial part of the development cost.

ALLOCATION OF COSTS OF IRRIGATION

Dealing with the question of charging the acre cost of irrigating land to the individual farmer, opinion in the United

States of America has changed to a remarkable degree in the last thirty years and now in that country the original capital cost of irrigation is being written off progressively. Further evidence of this change of opinion will be found in the summary of a report on the gigantic Columbia River Basin project in eastern Washington by Walter E. Packard, well known American irrigation expert now with the United States Resettlement Administration. This summary appears in the issue of "Agricultural Engineering", June, 1932. In assessing the benefits received by specific interests from the establishment of irrigation schemes, Mr. Packard found throughout the analysis that the farmer on irrigated land is in an unfavourable position, as compared with transportation agencies, merchandising interests and local and outside manufacturers and that he gets but 20 per cent of the values created. It is understood that the United States Government intends to charge farmers in the Columbia Basin only about 20 per cent of the irrigation costs, this amount to be paid over a period of forty years without interest. Further reference is made to a paper delivered by Mr. A. Griffin, Chief Engineer of the Canadian Pacific Railway Company, Department of Natural Resources, Calgary, to the Water Development Committee of The Prairie Farm Rehabilitation Act at a meeting held at Regina in 1936. The point of Mr. Griffin's argument appears to be that the benefits of irrigation do not accrue in a large measure to the farmer on the land but rather to the community, the Province and the nation, in so far as it is beneficial to the community, the Province and the nation to produce more wealth and support more people and particularly in so far as it is beneficial to produce more wealth and support more population in those areas which would otherwise be able to support only a sparse population. Mr. Griffin also points out that it is quite probable that if irrigation had previously been provided at public expense it would all have been returned in the five years immediately preceding 1936 in reduced relief and there would be permanently increased producing capacity as clear profits.

If it is estimated that the farmers in the Columbia Basin area in the State of Washington should only pay 20 per cent of the cost of irrigating their lands, it is submitted that farmers in Alberta should receive greater consideration as the markets for their products are more limited and certain products can be grown in the State of Washington which cannot be grown in Alberta to advantage. It should also be borne in mind that the State of Washington will benefit more from the Columbia Basin

project than the Province of Alberta benefits from the Lethbridge Northern District inasmuch as the majority of the manufactured products used by those residing in Alberta must be purchased from other parts of Canada, particularly from Ontario and Quebec.

The Government of Alberta also wishes to point out that since the construction of the four irrigation projects in Alberta, the cost of reclaiming land in the drought area has been accepted as a national responsibility. Serious drought conditions in recent years in Saskatchewan have brought the matter to the consciousness of the people of eastern Canada and now the problem is being accepted as national in scope. The passing of The Prairie Farm Rehabilitation Act in 1935 by the Parliament of Canada with the unanimous support of all parties is clear evidence of that fact. Large sums of money are being spent in Saskatchewan. It is contended that a similar situation would have prevailed in Alberta years ago if the people themselves and the Province had not taken steps to cope with the problem by the establishment of irrigation projects and by setting up special municipal areas organized to administer lands in semi-arid districts. In providing irrigation, the farmers in irrigation districts crippled themselves financially and the Province has assumed a heavy burden of bonded debt. It is submitted that those who have made every effort to assist themselves should now be assisted by the Dominion Government under The Prairie Farm Rehabilitation Act or any other legislation designed to meet the situation. It is submitted that the spending of money by the Dominion to put existing irrigation projects in Alberta in a position to function properly would be a wise and proper course to follow. It would also be to the advantage of Canada to enlarge greatly the market for beet sugar even to the extent of restricting imports of cane sugar so that the beet sugar industry will flourish.

The experience gained by the Province will be of great service to the Dominion in its extensive plans for the rehabilitation of the dry areas. Already a small project has been developed in southern Saskatchewan and it is understood that others are under consideration.

SUPPLY OF WATER

The supply of water is of vital importance in the development of our dry areas, including irrigation projects. The Government of Alberta maintains that the Dominion Government should undertake the construction and maintenance of storage reservoirs in the foothills of Alberta.

Because of the semi-arid conditions prevailing over a large part of the territory, special legislation was passed by the Dominion many years ago, called The Northwest Irrigation Act, which applied to all the territory which later became the Provinces of Alberta, Saskatchewan and part of Manitoba. By that Act the ownership in all water was separated from the ownership of the land and was vested in the Crown in the right of the Dominion. The Act provided that water could only be diverted from its natural courses after a license to divert had been obtained from the Government. In this respect the western provinces differ from the other provinces of Canada. Almost all the streams that flow through the territory mentioned rise in the Rocky Mountains and flow east through Alberta, Saskatchewan and Manitoba. There are some streams which rise in the United States and flow into Canada and some flow from Canada into the United States, and water is very much in demand in the states affected. Problems arising out of the administration of water resources, therefore, may be interprovincial and sometimes international in their aspects, and questions are bound to arise which go beyond provincial boundaries or jurisdictions.

A study of the flow records of any of our streams immediately discloses that there is a tremendous fluctuation between maximum and minimum flow. It is highly important to all the semi-arid areas of western Canada that this stream flow should be stabilized and the water, that now flows uselessly to the sea in the early months of the year, should be stored and conserved, in order to provide a satisfactory flow during the later months of the season, when it is most required and can be put to beneficial use. Large portions of our best irrigated territory now suffer every summer from lack of sufficient water at critical periods in the maturing of crops with consequent losses amounting to hundreds of thousands of dollars. It is in Alberta that the natural reservoirs can be found but the benefit of storage will go far beyond the boundaries of the Province. Storage reservoirs can only be established where surface conditions make them feasible and for western Canada reservoirs must, to a large extent, lie in the foothills of Alberta, but the responsibility for the cost lies unquestionably with the Dominion Government.

The supply of water for irrigation in southern Alberta depends entirely upon gravity systems and in the past that has been achieved by two means, firstly, the direct supply from a river and, secondly, a direct supply from river to a reservoir and distribution from the reservoir. The second method to-day presents no problem but a serious problem has arisen with re-

lation to the direct supply from rivers. As will be seen later, the rivers in question flow from west to east and have their point of origin in the Rocky Mountains. The past twenty-five years has seen the depletion of what may be called natural coverage consisting firstly, of prairie grass and secondly of forests, the latter having been depleted by logging operations and forest fires and the former by grazing, cultivation and erosion. The result is that the run-off which formerly took place at seasons of the year which permitted direct irrigation from the rivers, now occurs earlier in the year and in very much greater volume. The natural result is that those irrigation districts which depend upon direct supply find themselves in the late summer of the year in a position where the supply of water is totally inadequate for their purposes. This situation calls for the establishment of supply basins or reservoirs in which may be stored the large run-off in the early part of the year and which is then available in the late summer when it is most required.

The Prairie Farm Rehabilitation Act, passed in 1935, by the Parliament of Canada, did not contemplate the expenditure of large amounts on storage reservoirs in the foothills of Alberta. The officials in charge of the administration of this Act have already been requested to develop storage facilities but, to date, the Dominion Minister of Agriculture has refused to permit any money to be spent even in the way of preliminary surveys. *It is submitted that this matter is of tremendous national importance and it is felt that steps should be taken immediately to provide storage facilities so that all existing irrigation projects may be brought to their maximum productive capacity and so that irrigation may be extended where feasible in Alberta in an orderly manner in line with the development of markets for the products of irrigated land. All expense in connection therewith should be borne by the Government of Canada.*

SUMMARY

The Government of Alberta submits that, because of the responsibility of the Dominion Government for colonization of the dry areas in Alberta, the Dominion Government should relieve the Province of a very substantial part of the loss which the Province will sustain in connection with irrigation schemes and that the time has come, if it has not long since passed, when the Dominion Government should construct storage facilities in the foothills of Alberta to ensure a steady supply of water to our existing irrigation projects, bring these projects up to their maximum capacity, provide markets for the produce from irrigated lands, investigate thoroughly the possibility of new

irrigation works and generally assume the whole burden of rehabilitation of the area in question. In support of this position, the following brief summary of the argument in this and the preceding chapter is submitted.

1. The Dominion Government by retaining the public domain in 1905 became definitely responsible for colonization and for its success or failure.

2. That Government must assume large responsibility for the establishment of the transcontinental railway across the southern part of the Province and the resulting encouragement to land settlers in that area.

3. That Government must equally assume responsibility for throwing open the land in that area for settlement under its homestead policy, particularly in view of the evidence available as to the unsuitability of that area for ordinary agricultural purposes.

4. That Government contributed largely to the demand for irrigation through the publication of departmental reports and statements of its officials advocating irrigation as a solution to the problems of the area.

5. That Government receives annually substantial revenues under the sugar tax, under customs and excise duties and sales tax and these impose serious handicaps upon our people.

6. That Government receives annually substantial revenues from income taxes paid by manufacturers, railways and others to which the production on irrigated lands contributes.

7. That Government has saved substantial sums by not being obliged to keep on relief those now making a living on irrigated lands.

8. That Government has now undertaken the complete cost of rehabilitation of the dry area in Saskatchewan and should therefore assume a substantial part of the expenditure already made by the Province of Alberta in this important respect.

9. The Federal Government in the United States has for a long time recognized that the financing of irrigation projects and storage reservoirs is a national concern and has been writing off progressively the greater part of the original cost of construction.

10. The Dominion Government has expended large sums on canals, waterways and harbours (roughly estimated at one billion dollars), mainly situated in eastern Canada. There is no reason why expenditures on irrigation should not be considered in the same category and of equal importance.

It is submitted that as far as the four projects, namely, the Lethbridge Northern, United, New West and Little Bow, are concerned, it would be only fair for the Government of Canada to relieve the Province of Alberta from all future liability with respect to the outstanding bonds of the four districts amounting to $4,911,772.07 and interest thereon. The Province's share of the loss under this arrangement will be approximately $7,000,000, less the amount it may receive in due course from existing assets.

Immediate action by the Government of Canada is required. While the dry areas may produce good crops over a period of wet years, it cannot be stressed too vigorously that irrigation is still necessary, as experience clearly shows that long dry periods are inevitable. The farmer in southern Alberta is engaged in a war against the forces of nature with the tide of battle running strongly against him. If present national policies are permitted to continue, defeat is inevitable, but if the recommendations of the Government of Alberta are put into force at once, defeat can be turned into victory. Millions of dollars would be found by Canada if engaged in war with a foreign power. A mere fraction would be sufficient to ensure victory for our farmers in their war against nature.

3. THE PROBLEM OF RAILWAY GUARANTEES

The Bank of Canada report begins its criticism of the financial history of the Province with the following statement:

> "The policies pursued from the time the Province was created (1905) until the year 1922, had a profound effect on the financial position of the Government of Alberta. The roots of many of Alberta's present problems were developed during this period. Only the exceptionally rapid economic progress of the time can account for the fact that extravagant governmental expenditures, direct and indirect, were allowed to proceed on such a scale and to last so long as they did.
>
> "Almost immediately after the formation of the Province, ambitious telephone and railway policies were launched. Poor judgment, loose administration and over-expansion were to make both utility ventures costly."(1)

Certainly the decision to embark upon an extensive policy of railway guarantees has had a most serious effect upon the financial history of the Province. As a substantial part of the public debt of the Province today is represented by losses resulting from these guarantees, some consideration must be given to the manner in which these guarantees were given and the problems arising therefrom.

(1) Bank of Canada Report, 1937, Alberta Section, p. 4.

As already stated the growth of settlement for ten years after the Province was formed was phenomenal. Settlement was allowed to extend over practically the entire surveyed area of the Province and in the northerly part very soon penetrated even into the Peace River District, but it must also be remembered that this same decade was in the period of the greatest railway expansion that Canada has witnessed. Branch lines were being projected by the Canadian Pacific Railway Company; and the Grand Trunk Pacific and Canadian Northern Railways were being projected westward. In the period from 1884 to 1920 the Dominion Government paid by way of cash subsidies for railway construction, over 76 million dollars in addition to the huge areas of land (about 32 million acres) granted by way of land subsidy. Of this acreage about 13 million acres were selected from Alberta. Moreover, in order to meet the demands for railway facilities, every Province in Canada had given assistance to a greater or less extent for railway construction within their borders. Ontario and Quebec had done so, as had also the Maritime Provinces. In other words, Provincial Government assistance to railway construction was an accepted policy in those days. Certainly the demand for such assistance by reason of rapid increase of population was much greater in Alberta than in the Eastern Provinces. If, therefore, it was an error of judgment for Alberta to enter into such guarantees, the same error was made by every Province in Canada; the only difference between Alberta and the older Provinces being that the older Provinces were relieved by the Dominion Government of a considerable part of their burden while Alberta, together with British Columbia, has been obliged to bear the whole burden unassisted, except as hereinafter mentioned.

The guarantees given by the Province of Alberta may be considered under two headings; first, the guarantees given to the Grand Trunk Pacific and Canadian Northern Railways, and secondly, the guarantees given to purely Provincial railways.

With reference to the first group, as part of its policy of assisting railway development within the Province, the Government entered into guarantees with the Canadian Northern Railways, Canadian Northwestern Railways and Grand Trunk Pacific Railways branch lines for approximately $26,426,750.00. The public accounts of the Province for 1937, at page 24, places the present amount of these guarantees at $22,539,957.97. Subsequently, as these lines were re-organized to form the Canadian National Railway system, the Dominion Government took over the responsibility for these guarantees. Although no official statement has been made by the Dominion Government that it

has accepted responsibility for this liability, nevertheless there has been a tacit understanding to this effect. In view of the extent of the re-organization and consolidation of the two original lines, which took place under the direction of the Dominion Government, and the length of time the Canadian National Railway system has now been in operation, there seems no good reason why a definite announcement should not be made by the Dominion that they have relieved the Province from further liability.

Frequent reference has been made to these guarantees to suggest that the Dominion has already relieved the Province of a very great liability. The facts are, of course, that the Dominion acted as it did in what it believed to be the best interests of railway transportation in Canada and without consulting the Provincial Government. Furthermore, the Provincial guarantees covered only branch lines in this Province, which would now be recognized as probably the most valuable branches owned by the Canadian National Railways within this Province. In brief, the Dominion Government is in no danger of meeting a loss with respect to these particular guarantees.

In the course of a few years following 1909, the necessary guarantees were given by the Province to permit of the construction of three separate Provincial railways, the Lacombe and Northwestern running from Lacombe in a northwesterly direction to open up the territory west of the main line of the Calgary and Edmonton railway; the Edmonton, Dunvegan and British Columbia Railway, more familiarly known as the E. D. and B. C., to open up the territory from Edmonton northward into the Peace River country; the Alberta and Great Waterways Railway, familiarly known as the A. and G. W., extending northerly to Fort McMurray. It is not necessary to trace the history of the various extensions to these lines other than to say that by 1924 the E. D. and B. C. had been extended through Grande Prairie to Wembley with a total mileage of 423 miles, while the Central Canada Railway Company had been organized as an extension of the E. D. and B. C. Railway through Peace River to tap the territory on the north side of the Peace River. The A. and G. W. had been extended practically to Fort McMurray. Subsequent extensions to the E. D. and B. C. Railway brought its total mileage up to approximately 496 miles. The total amount of guarantees given by the Province with respect to these lines amounted to approximately $17,093,000.70.

As a result of the operating losses sustained and the inability of the operating companies to meet their debenture charges, the Province was obliged to intervene. After exhausting every effort

to work out a solution of the problem now presented by these three lines, the Government of the day finally entered into an agreement with the Canadian Pacific Railway Company by which that company assumed the management of the lines for a period of five years, the Government obligating itself to advance an additional two and a half million dollars to eliminate the then deferred maintenance of the lines. By separate agreement, the capital stock of the J. D. McArthur interests in the E. D. and B. C. and A. and G. W., held by the Union Bank by way of security for loans advanced by that Bank, were pledged with the Royal Trust Company under an Option to Purchase the same, at a price agreed upon.

The Canadian Pacific Railway Company operated these lines under this Management Agreement until 1925. In the meantime there had been a change of Government in the Province, and the then Government again entered into lengthy negotiations with the Dominion Government and the two trans-continental railway lines in an effort to work out some more satisfactory disposition of the lines. The Dominion Government refused to accept any responsibility and as the two trans-continental lines were unwilling to consider any other arrangement than that of leasing the properties, the Government decided to operate the lines. Accordingly, the Government took up the option for the purchase of the capital stock, served notice of cancellation of the operating agreement, and in 1926 commenced operating the lines under public ownership. From 1926 to 1930 negotiations were renewed at various times with the transcontinental lines. In 1928 the Lacombe and Northwestern was finally sold to the Canadian Pacific Railway Company.

In 1929 an agreement was finally completed between the Government and the Canadian Pacific Railway Company and the Canadian National Railway Company whereby these companies jointly purchased the Edmonton, Dunvegan and British Columbia Railway, the Central Canada Railway and the Alberta and Great Waterways Railway for 15 million dollars, the purchasers assuming the responsibility for the guaranteed bonds of these companies other than bonds to the extent of $7,400,000 due and payable January 1st, 1959.

While these sales were and still are generally regarded as satisfactory, nevertheless, the Province was left with a very heavy loss as a result of the guarantees it had given. As of March 31st, 1937, the total loss sustained is $23,093,832.92, made up as follows:—

	Capital Loss	Income Loss	Total Loss
Lacombe & North-western Rly.	$ 563,067.92	$ 881,111.12	$ 1,444,179.04
Northern Railways	10,881,323.55	10,768,330.33	21,649,653.88
	$11,444,391.47	$11,649,441.45	$23,093,832.92

The accruing interest from year to year constitutes an additional charge that the Province is unable to bear.

The Alberta Government firmly believes that this burden should not rest upon the Provincial Government. It believes there are several valid reasons why the Dominion Government should assume the entire obligation.

In the first place, it cannot be suggested that the roads were needlessly built. Two of them at least are today considered valuable branch lines of the transcontinental systems, while the third is of national importance. With the extension of settlement into the large territory west of the Calgary and Edmonton main line, it was inevitable that sooner or later a branch line would be required to supply that area. A perusal of the Dominion survey reports on the Peace River area indicates that the Dominion Government had no systematic policy for orderly settlement. Surveys were made long before railroad facilities were available and settlers were allowed to go where they wished. This territory was composed mainly of homestead lands, there being no railway grants, and the Dominion also owned the natural resources such as timber, which was available in abundance. There was a definite responsibility on the Government of Canada to provide transportation for settlers brought in under its own auspices but, having failed to carry out this obligation, it can hardly be said that the Province of Alberta, which undertook to do so, should bear all the loss entailed thereby. It is interesting to note that there has been a steady increase in population in the Peace River district. The 1936 census estimates the population at 44,943. A large amount of traffic is handled to and from the area and the railway is, therefore, a valuable branch on the transcontinental system. The outgoing traffic consists mainly of agricultural, animal and forest products, as well as fish.

The Alberta and Great Waterways Railway has, for years, provided railway transportation facilities mainly for the North-West Territories, in as much as the agricultural district served is limited to a strip of territory north of Edmonton. It has played a valuable part in the extensive mineral development now taking place in northwest Saskatchewan and the Northwest Territories. The vast hinterland beyond its end of steel at Fort McMurray right to the Arctic Ocean is served by its rails to its terminus

from which traffic is forwarded by water and air transportation. Much of this traffic is of vital interest to Canada as it goes to the outposts to serve the people for whose welfare the Dominion Government is responsibile, and this, together with the fact that the mineral area in Saskatchewan reaps a benefit, places an obligation on the Government of Canada to pay for part of the loss sustained by the Province of Alberta in constructing the railway. Up to date, the Dominion has made no contribution whatsoever for construction or maintenance.

It is estimated that about 90 per cent of the total tonnage forwarded to Edmonton over all the northern railways is transferred to the Canadian National and Canadian Pacific Railways at Edmonton for forwarding to its ultimate destination either within Canada or for export and that most of the tonnage forwarded north from Edmonton comes originally from other parts of Canada or other countries. This contributes substantially to employment connected with transportation and industry throughout Canada and to the earnings of the two transcontinental systems, a direct result of Alberta's assistance in the building of the railways. These factors must not be overlooked in the contribution made by Alberta to the economic welfare of the Dominion and the building up of national wealth.

In the second place, the Dominion Government has, by subsidy or otherwise, relieved other Provinces of part of the burden of railway enterprises as sponsored by them. In 1875 the Province of Quebec incurred a liability of over 12 million dollars in connection with the construction of the Quebec-Montreal-Ottawa Line. In 1882 these lines were sold to other railway companies for $7,600,000. That Province subsequently contended that the Dominion Government should pay the Province a subsidy equivalent to $12,000 per mile for the total mileage constructed, and eventually, notwithstanding that the lines had been constructed and sold, succeeded in having its claim allowed, and received from the Dominion Government a subsidy of $12,000 per mile for the Montreal-Ottawa section and a subsidy of $6,000 per mile for the Montreal-Quebec section. In addition, the Dominion Government paid to the Canadian Pacific Railway a further subsidy of $6,000 per mile for the Montreal-Quebec section, making a total subsidy of $12,000 per mile.

The Eastern Extension Railway in New Brunswick was originally constructed as a Provincial undertaking, shortly after 1867. Finding itself in financial difficulties, the Province succeeded in having the railway purchased at $24,000 per mile by the Dominion Government and made part of the Intercolonial Railway. As the purchase price was not sufficient to meet the entire

cost of the road, the Province continued to assert its claim and finally received compensation from the Dominion for the balance of the cost of the road, namely, $150,000.

In 1883, the Province of Nova Scotia acquired a part of the Eastern Extension Railway running from New Glasgow to the Strait of Canso, expecting either to be able to sell it to the Dominion or else to receive as a gift from the Dominion the Pictou Branch running from New Glasgow to Truro. At first, both plans failed but at last in 1884, Nova Scotia sold its undertaking to the Dominion at a price practically equal to the price which it originally paid. The Province, however, had previously given subsidies to private contractors amounting to $611,700.00 in aid of construction of the line and therefore decided that the Dominion ought also to pay this additional amount to the Province. It is a matter of public record that Nova Scotia in 1901, after an arbitration had been held, succeeded in obtaining from the Dominion the sum of $611,700.00 and also an additional $60,100.00 representing an amount which had been paid by the Province to settle a lawsuit with a contractor. The net result was that Nova Scotia received from the Dominion Government a sum sufficient to cover its entire investment in this railway.

As late as 1913, the Province of Ontario entered a claim for a subsidy with respect to the Temiskaming and Northern Ontario Railway and finally succeeded in obtaining a subsidy of $6,400.00 per mile for a total of approximately 300 miles. This railway was constructed and operated by the Province as a colonization road to open up an area which has since proven to be extremely rich in mineral wealth as well as certain territory which has since proven to be well suited to agriculture. It was not without a struggle that Ontario secured this subsidy eight years after the railway was built. After a long debate in the House of Commons in the Session of 1911-12, the necessary resolution was passed in the House of Commons but was defeated in the Senate. The Bill came up again in the following year when many prominent statesmen took part in the discussion. The views that ultimately prevailed were summarized by the Honourable Sir George Ross, Leader of the Official Opposition in the Senate. He supported the subsidy on the grounds that the railway promoted the interests of Canada, that it was a great feeder of the transcontinental systems and that the traffic originating from the territory served by this line would assist in paying for the construction of the national transcontinental railway. He also contended that every settler brought into the territory opened up by the railway would be a contributor to building up the wealth

of the Dominion, that the Province of Ontario was a contributor to the Dominion in a special sense, and that the Province should be encouraged in broadening the area of taxation by opening up this country and that the Province was not making enough profit out of the railway to pay interest charges.

It is submitted that every argument used in support of the payment of this subsidy by the Dominion applies with equal force to the provincial railways discussed in this section. The Lacombe and Northwestern Railway is now part of the Canadian Pacific Railway system. The E.D. and B.C., the Central Canada, and the A. and G.W. Railways are now being operated by the two transcontinental railways under the name of the Northern Alberta Railway Company. It cannot be denied that these lines are great feeders for the transcontinental systems or that they have served a national purpose in opening up new territory into which settlers have gone in great numbers. These settlers have made their contribution to the Dominion, while with respect to the Alberta and Great Waterways Railway there is the additional argument that it must be maintained as the only available railway transportation facility to serve the Northwest Territories of Canada and north-west Saskatchewan.

The Province has sustained a very heavy loss because of its readiness to assist in providing railway facilities that were necessary to take care of settlement. The Province has never been assisted by subsidies although the Dominion has spent vast sums in subsidizing private railway enterprises as well as to assist other provinces. It is true a small subsidy was granted for the construction of a small part of the E.D. and B.C. Railway, but no subsidy was paid with respect to the greater part of its mileage.

Had the Province been assisted by subsidies on the same basis as subsidies were paid to private companies and to other provinces, the contribution of the Dominion would have been approximately $10,873,337.52, as shown by the following calculation:

	Miles
E.D. and B.C. Railway	496.36
A. and G.W. Railway	285.85
Central Canada Railway	113.70
Lacombe & Northwestern Railway	72.00
Total	967.91

895.91 miles at $12,000 per mile	$10,750,920.00
72.00 miles at $ 6,400 per mile	460,800.00
Total	$11,211,720.00
Less paid E.D. and B.C. in 1916	338,382.48
Balance	$10,873,337.52

The Province still submits that the loss which it has sustained should have been borne by the whole of Canada. As a means of relieving the present financial position of the Province the responsibility of the Dominion as a whole might still be recognized and a substantial contribution made to the Province in recognition of the fact that the railway lines which contributed to such heavy provincial loss are now necessary and substantial factors in the economic life of Canada.

4. THE PROBLEM OF THE PROVINCIAL TELEPHONE SYSTEM

One of the first services to be provided by the Provincial Government after the formation of the Province in 1905 was that of a provincial telephone service. This venture has also resulted in a heavy financial loss to the Province, approximately ten million dollars of the capital debt of the Province being directly due to the losses finally sustained in the operation of this utility. A brief history of the operation of the utility is therefore submitted in order that the reasons for this capital loss may be understood.

In the older provinces the telephone service had gradually evolved over a period of years. The denser settlement in rural parts made it much easier to provide a rural service than was possible in the western provinces with their large areas and scanty population. In the early stages of development in this Province, large numbers of settlers were assisted to locate on lands controlled by the Federal Government, without any definite plans to ensure the necessary services essential to their success. As a result of this, the settlers located over a widely scattered area, far removed from available hospitalization and medical services. This service has never presented any real problem in the older and more thickly settled provinces.

At the very first Session of the Alberta Legislature in 1906 the possibility of a provincial telephone service was discussed. The wide area covered by the rapidly growing settlement, combined with inadequate highway facilities and the isolation of the rural settlements, evidently created a demand for this service, already well established in the older provinces. It is doubtful if anyone will seriously question the contribution which the invention of the telephone has made to farm life in rural districts; neither will anyone seriously question the right of rural districts to secure the advantages of this service.

There were only three possible methods by which a telephone system could be developed in the Province; firstly, as a private commercial undertaking, either by individuals or by a corporation; secondly, by the Provincial Government undertaking the

development as a public enterprise, as in the province of Manitoba; and thirdly, by the Provincial Government developing the main transmission lines and the toll service, leaving the responsibility for rural lines to local rural companies, as was done in the province of Saskatchewan, or by municipalities as in some of the older provinces.

The Bell Telephone Company at that time furnished telephone service for the city of Calgary, while in the city of Edmonton the service was owned by the municipality. The Bell Telephone Company was unwilling to undertake rural service as a commercial proposition. There has always been strong public support in Western Canada for the public ownership of utilities of a public nature. After due deliberation, the Government of the Province therefore purchased the undertaking of the Bell Telephone Company in the city of Calgary and choosing the second alternative, proceeded to inaugurate the telephone service as a public utility throughout the Province. Construction of pole lines was vigorously undertaken and for a number of years construction work was carried on rapidly until the greater part of the Province had been provided with rural service.

It is now clear that from the beginning the rate structure was inadequate to pay overhead charges and provide a sufficient replacement reserve to take care of depreciation.

As early as 1917, some doubts arose as to whether this provincial system was being conducted on a proper commercial basis. Expert advice was sought by the Government in that year. The report which followed on March 20th, 1920, pointed out that no adequate provision was being made for depreciation or replacement, and a recommendation was made that a land frontage tax be levied, as was being done in the province of Saskatchewan for the support of rural lines in that province. It is probably more difficult for a provincial government to increase rates for a utility of this kind than is the case where the utility is being operated by small rural companies where the shareholders or subscribers are able to have a clear understanding of the cost of operating the service. However, the report recommended an increase in the rate structure and definitely warned against the danger of expansion in the rural service. Notwithstanding this advice, the Government of the day, although increasing the rate structure slightly on June 8th, 1921, proceeded immediately with a very formidable program of rural line expansion, even though the cost of material had increased very substantially during the years following the close of the war.

This expansion was influenced to a large degree by the unwise settlement of large tracts of land in what is known as the

"drought area". Thousands of acres of land suitable only for grazing purposes were brought under cultivation. This thickly settled area had to be provided with social services including hundreds of miles of rural telephone line and local exchanges. Immediately following the period it became quite obvious that this land was entirely unsuited for farm purposes and those who were financially able to do so left the district for other parts. The Government was faced with the serious problem of rehabilitating or otherwise caring for those who were unable to care for themselves, besides having to take care of the capital debt on non-productive utilities, many of which have since been abandoned. The revenues from the telephone system were insufficient to carry the added burden and provide interest and replacement reserve even for the productive portions of the system.

An examination of the operation of the Alberta Government telephone system from the years 1919 to 1935, inclusive, shows that in only three years of that time the Telephone system was able to pay its way and show small surpluses. This was between the years 1928 and 1930, which years were regarded as the most prosperous period of the past two decades.

Following 1930, the situation became much more difficult due to the decline in Provincial revenues generally and the resulting difficulty of making provision for the heavy losses in the entire service. In many sections of the Province the number of subscribers had fallen until in some communities there was hardly a subscriber to the service remaining and many miles of lines required rebuilding.

In 1934, Mr. Harry Barker, a Consulting Engineer was invited by the Government to report on the property and business of the Alberta Government Telephones. In his report he pointed out that a large part of the rural system would either have to be abandoned or rebuilt at a cost of approximately four and one-half million dollars. He stated that the main part of the system was being operated along accepted lines of telephone practice elsewhere; he praised the exchange and toll property as being in conformity with the latest accepted standards of construction; he also reported favourably on the general administrative practice of the staff employed by the Department. He recommended that the rural properties be sold at scrap value to local non-profit-making companies which would maintain, renew and operate the service at such standard as was considered advisable, and expressed the opinion that the value of the Government system after eliminating the rural section would be approximately $16,835,686, as at March 31st, 1933.

His recommendation that the rural properties be sold at scrap value to local operating companies confirmed recommendations that had previously been made by the Officials of the Department. The Government decided to follow this advice and commenced negotiations with subscribers in the various rural districts with the result that practically the entire rural system has now been sold to a large number of small rural companies. The Province's net debt attributable to the telephone service is approximately $25,419,700. Of this amount approximately $12,428,900 may be considered as a loss in investment. It is doubtful, however, if this entire loss can be attributed to the rural system. It is probable that a fair estimate of the loss arising solely from the operation of the rural lines would be approximately 10 million dollars.

The entire remaining system at present is making sufficient revenue to pay all operating expenses and one-half of the interest charges on the entire debt of $25,419,700 and during the past fiscal year, in addition provided $317,000 towards the total estimated annual depreciation reserve of $600,000 and it provided $50,000 as a reserve for uncollectible rural accounts.

The Bank of Canada Report, while very critical of the telephone policy inaugurated in the Province of Alberta, states that the Manitoba system was completely self-supporting and making good progress in writing off early deficit. It also points out that the Saskatchewan telephone system was self-supporting.

It is only fair to point out that the Manitoba system was established on the same basis as that in this Province. Its comparative success can easily be explained by the fact that the City of Winnipeg comprises approximately one-half the population of the Province and the revenue from the urban part of the system is able to carry the rural part, especially as the rural population is settled over a comparatively small area and this rural population is more thickly settled than in Alberta.

It is true that in Saskatchewan the rural system has been fairly successful. Out of a total investment of approximately 17 million dollars the debenture debt has been reduced to a little more than four million dollars. Approximately one-half the rural companies are in default with respect to principal and interest on the remaining debt but the latest report of the Department of Telephones in that Province indicates there is some improvement in this respect. The question might fairly be raised, however, as to whether the assets of these rural companies could be made to realize anything like the large investment that has been made. Undoubtedly the system in Saskatchewan

has involved a heavy financial burden. In that Province the burden has fallen entirely on those who had the benefit of the service while in Alberta the loss has fallen upon the entire tax-paying population of the Province.

It is recognized that the Province must assume full responsibility for the adoption of a policy of rural telephone construction as a provincial undertaking. It must also assume responsibility for losses sustained as a result of inadequate rates or other administrative expenditures. It is submitted, however, that much of the criticism of the financial record of the Province in the Bank of Canada report and elsewhere has failed to take into consideration the fact that the problem of providing this service was aggravated greatly by the rapidity and the wide dispersion of settlement, and that by reason of the effect of improved highways and the invention of the radio a very substantial loss must inevitably have fallen upon some body of investors, even if other means of providing the service had been followed.

5. ALIENATION OF MINERAL RIGHTS

Indirectly, a further problem was created for the Provincial Government in the loss of revenue it has sustained by reason of the policy of the Dominion in including mineral rights in its grants of land by way of subsidies to the various railway companies and to the Hudson's Bay Company. This problem is all the more serious because, with the development of the oil resources of the Province, the loss of revenue from this source will no doubt increase from year to year. Many of these rights were granted before the Province was formed in 1905.

It has not been considered necessary to trace the loss from this cause through all the years from 1905. An examination of the figures from the beginning of the fiscal year 1936 to the present time will indicate how serious is the loss to the Province.

In the year 1936, the total coal production of the Province was 5,696,375 tons with an estimated value of $14,720,000.00. Of this production, 1,898,045 tons with an estimated value of $4,901,227 was taken from free-hold land. In other words, approximately one-third of the total production was from free-hold land and this same percentage will no doubt apply generally from year to year since 1905. The Province loses its royalty on this proportion of coal production and will no doubt continue to do so in the future.

In the fiscal year from March 31, 1936, to April 1, 1937, the oil production was as follows:—

	Barrels
Crown Lands	962,912
Free-hold Lands	484,749
Total	1,447,661

From April 1st, 1937, to December 31st of that year the production was as follows:—

	Barrels
Crown Lands	1,126,459
Free-hold Lands	1,240,125
Total	2,366,584

In other words, the Province loses the right to collect royalties on appoximately 48.5 per cent of the total oil production by reason of these alienations; and it is probable that the loss will continue in equal ratio in future years.

It is true that the Alberta Natural Resources Commission awarded the Province the sum of five million dollars as compensation for losses sustained by the Province by reason of alienations of the resources made by the Dominion during its administration. The Commission however was limited in its investigation of alienations made since 1905 only, whereas large areas were alienated prior to that date. Furthermore, oil development has proceeded very rapidly since that Commission made its investigation and the extent of the loss was not known at that time. The above figures with respect to oil production in 1936 and 1937 will show at a glance how inadequate was the award and will also show why the award has so far not been finally accepted by the Province.

It is submitted that any examination of the financial position of Alberta which fails to take into account the problems discussed in this chapter cannot be a fair and unprejudiced examination of the financial problems of the Province. No other Province in Canada, in the comparatively short space of a third of a century, has been compelled to grapple with as many problems forced upon it by circumstances beyond its control. The Province of Saskatchewan it is true in recent years has been confronted with drought conditions of great magnitude and also shares with Alberta the misfortune of having had much of its mineral resources alienated by another Government. The problem of the dry area in that Province, however, did not appear as early in its provincial history nor was there developed in that Province the intensive demand for irrigation development which developed in Alberta. The mineral resources of that Province are not as varied or as great as those of Alberta and therefore the alienation of mineral rights has not had the same effect upon its current revenue. Saskatchewan has had no northern area comparable to the Peace River Country demanding provincial action with respect to railway facilities. British Columbia has had its railway problem but it has had no settlement problem comparable to that created by the settlement of the dry areas in the southern part of

Alberta. That Province has had control of its mineral resources from the beginning. Ontario had its problem of providing railway facilities for the rich mineral areas in the northern part of the Province but by the time that demand occurred, the Province was well settled and well developed and financially able to meet the problem. The influence of that Province in the Parliament of Canada was sufficient to obtain for its substantial financial assistance for the construction of the Provincial Railway.

As shown in the preceding pages, a very substantial part of the public debt of this Province is accounted for by expenditures made by the Province in its early years in attempting to grapple with these problems, while huge sums have been spent in providing relief for settlers in the dry area. As will be shown in succeeding chapters the productive capacity of the agricultural lands of Alberta have been reduced by freight rates higher than those obtaining elsewhere in Canada and by the effects of a national tariff which rested heavily upon the agricultural producers of this Province. The problems discussed in this chapter, therefore, form the background against which the whole financial background of the Province must be examined and are essential to any consideration of the future financial relationships of the Province of Alberta and the rest of the Dominion.

CHAPTER VI.

SECTION I.

Variability of Income

One of the outstanding economic characteristics of the Prairie Provinces is the relatively great variation in the net incomes of the population. Under existing circumstances, this is due, in the main, to the almost complete dominance of agriculture—especially wheat—as the source from which such incomes are derived. This marked variation in incomes arises not only from the violent price fluctuations resulting from artificial monetary causes and restricted markets, but also from the erratic crop yields, which are a natural result of the uncertain climatic conditions of this wheat growing area. Therefore even if the causes of fluctuating prices and unstable markets are removed, so long as wheat production remains the main economic activity of the Prairie Provinces, incomes will tend to fluctuate with the climatic conditions. The only lasting solution would be to develop a more balanced economy in Western Canada under a reformed financial system, which will protect both consumers and producers in the Dominion until similar steps are taken by other countries to remove the vagaries of world markets. This is dealt with elsewhere.

However, in this chapter the serious handicaps which the variability of incomes imposes upon the Prairie Provinces are dealt with under conditions as they are, mainly to indicate with all the force it deserves the severe hardships which are being imposed on Alberta because of the heavy fixed charges to which her production is subjected, handicapped as she is by being obliged to sell in unstable and uncontrolled world markets and to buy in protected Eastern markets. The brunt of these disabilities is being borne by the Province because of her obligations under Confederation; obligations for which, it is submitted, the Province should be recompensed. At present, Confederation operates as an overwhelming liability to the people of the Province, instead of being an asset.

It would seem that the tendency is for the burdens of Confederation to increase with the distance from the Atlantic to the Rockies, and the advantages to increase with the distance in the reversed direction. Placed as she is, Alberta is only too well

aware of the danger to the fabric of Confederation which the present economic arrangements constitute.

The dominating position of agriculture, and especially of wheat-growing, in the prairie economy is a matter of common observation, but is also indicated by the Dominion Bureau of Statistics computation of the market value of net production in the Provinces and in Canada as a whole. During the period from 1923-28, 36 to 40 per cent of the value of Canada's net production arose from agriculture, compared with about 90 per cent of the net production in Saskatchewan, 75 per cent in Alberta and 60 per cent in Manitoba. Of course, this does not mean that these proportions of the population were engaged in agriculture, as the Dominion Bureau of Statistics estimate of net production covers only the production of so-called "form utilities" and excludes production of financial, transportation, merchandising, public utility, professional, governmental and other non-form utilities. The proportions of the gainfully employed whose products were included in the Bureau's estimate of net production, as reported in the 1931 census, were as follows:

Canada	62.52
Manitoba	59.55
Saskatchewan	71.88
Alberta	68.65

The following is a rough calculation of the approximate proportions which agricultural production comprised of the total net production of both form and non-form utilities, in 1923-28, assuming net production per person engaged in production of non-form utilities to be the same as those producing form utilities:

Canada	22½ to 25
Manitoba	36
Saskatchewan	65
Alberta	51½

It must be emphasized that this is only a rough estimate, since none of the production of non-form utilities has been counted as agricultural production, although some of it may have entered directly into the production of agricultural goods, since some processing of agricultural goods, which is really manufacturing, is included in the Bureau's estimate of agricultural production; since what some authorities consider an insufficient allowance for expenses of production has been used for deriving the net value of agricultural production from the gross value; and since a similar necessary roughness exists in the calculation of the other components of net income. If all allowance were made, however (especially if it be considered that much of the value of local production which is not agricultural is in reality very

closely dependent upon the agricultural income), it is evident that the calculation above certainly does not over emphasize the dependence of the income of this region upon agriculture in the period 1923-28.

The proportions of the net value of agricultural production to total value of net production of form utilities declined markedly during the depression, reaching a low of 23 per cent for Canada, 60 per cent for Saskatchewan, 47 per cent for Alberta and 30 per cent for Manitoba. Although there probably was some slight tendency toward shifting from agricultural production to other lines during these years, the principal explanation must lie in the decline of income from agriculture per person engaged. The proportions of persons engaged in the various occupations could not have changed greatly.

TABLE I.

PROPORTION OF THE NET VALUE OF PRODUCTION ARISING FROM AGRICULTURAL PRODUCTION IN CANADA AND THE PRAIRIE PROVINCES

Year	Canada	Manitoba	Saskatchewan	Alberta
1920	41.3	60.0	86.8	72.5
1925	40.4	61.8	92.8	75.7
1930	22.8	31.9	56.9	47.0
1934	28.3	44.8	76.1	66.8

The dominance of agricultural production by wheat needs little demonstration. The proportion of field crop acreage in this crop has averaged close to 60% since 1926, and it has been even more important relatively as a source of income. In the census of 1925, there was only one census division in which the income per farm, from animals and animal products, averaged over $700.00, while considerable areas reported $3,000.00 or more from field crops, largely wheat. The following tables speak for themselves.

TABLE II.

PERCENTAGE OF FIELD CROP AREA IN WHEAT(1)

Province	1921	1926	1931
Manitoba	48	33	43
Saskatchewan	66	69	67
Alberta	57	67	57
Prairie Provinces	60	62	60

(1) Agriculture. Climate and Population of the Prairie Provinces of Canada.

TABLE III.

ESTIMATED GROSS AGRICULTURAL REVENUE OF CERTAIN PROVINCES, 1935
(In Millions)

	Alberta	Manitoba	Saskatchewan	Canada
Field Crops	$ 97.7	$32.7	$114.3	$506.6
(Wheat)	(60.2)	(14.2)	(85.3)	(173.1)
Farm Animals	21.4	7.3	16.3	120.1
Dairy Products	14.3	10.5	13.8	191.5
Fruits and Vegetables	2.2	1.6	2.7	49.8
Poultry and Eggs	4.5	3.5	7.2	50.4
TOTAL	$141.1	$56.5	$154.9	$943.1

Source: Canada Year Book, 1937, pp. 234-5, 238, 242-3.

It must be pointed out that, so far as variability of income is concerned, production of live stock and dairy products in the Canadian West is subject to much the same causes of variability as production of wheat, so that the fairly considerable proportions of agricultural production made up of these branches does not indicate very great tendency toward stabilization of returns or income.

SOURCES AND MEASURES OF THE VARIATIONS OF PHYSICAL AGRICULTURAL PRODUCTION

Agricultural production, especially wheat production, is, under the best of circumstances, subject to great variation in yield. The region in which Alberta is located is one in which it is subject to especially great vagaries of nature. Much of the area often suffers from drought, a portion is exposed to high losses from hail and, in other portions, frost is an important factor in crop losses. Generally speaking, the areas of greatest variability are also those of low average yield. This is especially unfortunate since low average yield means extensive farming —a large number of acres per man—and a smaller average margin of net return per acre in proportion to average yield than in areas of good yield.

The climatic factors influencing the volume of agricultural production in the Prairie Provinces have been adequately analyzed elsewhere,(1) and it is necessary here to present only the broad outline. The most important consideration is rainfall. Rainfall is variable in most parts of the world but is relatively highly variable here. What is more important is that moisture

(1) See W. A. Mackintosh, Prairie Settlement, the Geographic Settlement, Chapters I and IX.
W. A. Mackintosh, Economic Problems of the Prairie Provinces, Chapter II.

is scanty over a large part of the region, the average annual precipitation being less than 10 inches in some parts, and nowhere going much above 20 inches. Under such circumstances, the margin of safety in agriculture is, at best, small. It is necessary to follow practices designed to conserve moisture over much of the area. Thus the variability of rainfall from year to year (and especially the yearly variability of rain falling in the Spring, Summer and Fall) becomes of great importance. In some areas average rainfall may be just favourable; but a wide variability means that in many years precipitation is inadequate for good yields. In other areas, even the average precipitation is insufficient for good yields and success comes only in years of better than average rainfall.

The normal distribution of precipitation in the region is illustrated in charts published by the Dominion Bureau of Statistics. Meteorological data from this area are not available for sufficient years to afford conclusive evidence of the long run character of the climate but must be utilized in the absence of more adequate data.

Variability of precipitation may be shown in two ways, by a technical measure of variation(1) and by a measure of the proportion of years in which rainfall comes below a specified level (generally the minimum level necessary for fair crops, given fair temperature, wind conditions, etc.).

The charts previously mentioned, show that the areas of high relative variability in rainfall are also those of low average precipitation. In part this is the result of our statistical methods, since the measure of variation is such that a given number of inches difference in the rainfall from one year to another tends toward a higher index of relative variability in a region of low average rainfall than in one of high average. None the less, it indicates the location of one of the "problem areas" of the wheat growing West. Since the data used cover a period in which the experience of the recent years of drought in Southern Saskatchewan and South Western Manitoba, carry relatively less weight than may be necessary for a longer run view, these charts show a heavy concentration of such "problem areas" in Alberta.

Figure 1 shows the areas in which 35 per cent or more of years had a rainfall less than 8 inches, during the growing season

(1) The measure used is the coefficient of variation. It gives the proportion which the "typical" deviation of actual figures in a series from the average of such figures bears to the average itself. For our purposes the relative sizes of the coefficients in different areas is important, but also important is the generally high level of all the coefficients indicating a very slight "steadiness" of rainfall anywhere.

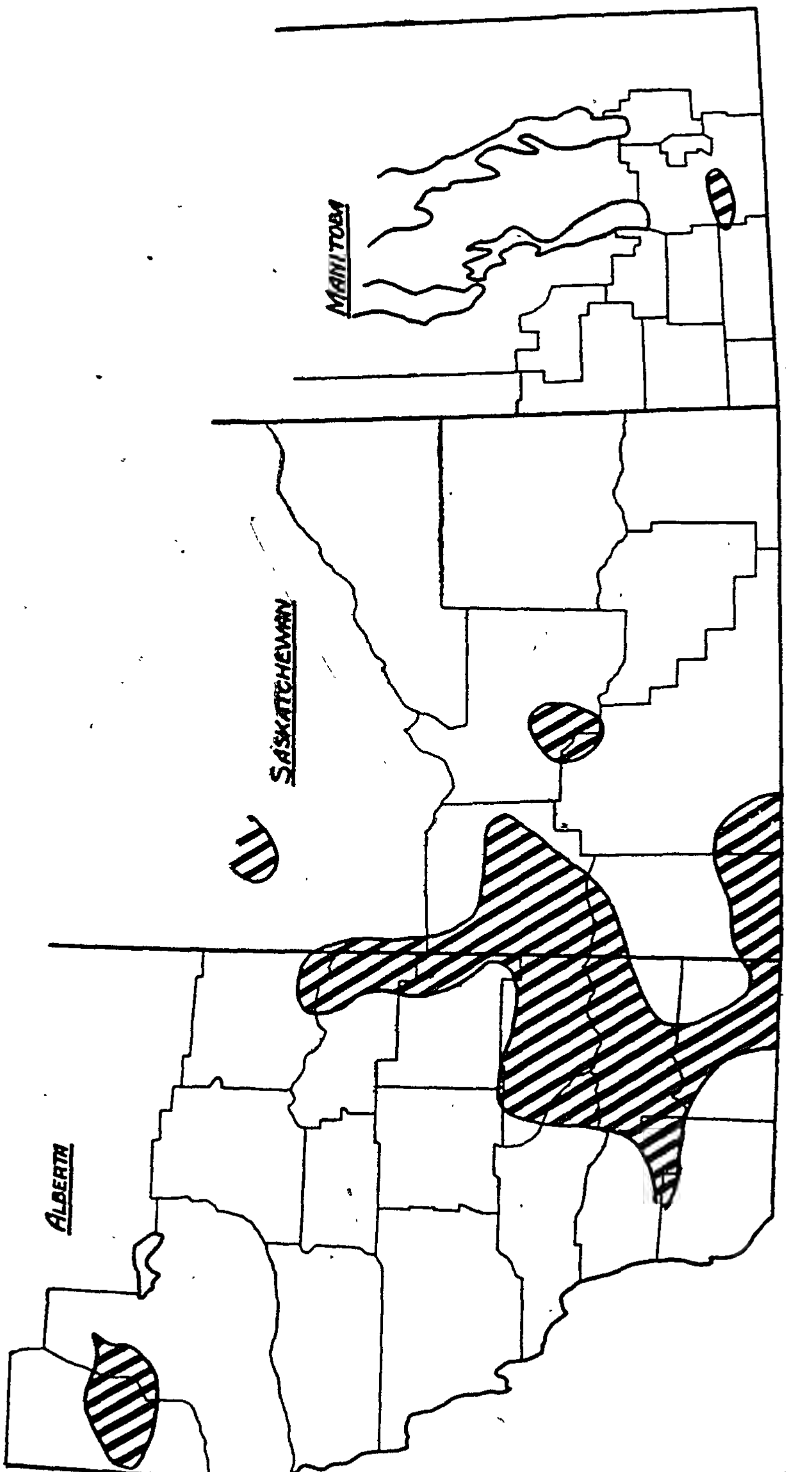

FIG. 1—Shaded portion shows areas in which 35 per cent or more of years had a rainfall less than eight inches during the growing season and preceding fall.

and preceding fall. Such years are years of partial or complete crop failure and definitely "bad" years from the viewpoint of the farmers. It will be noted that this area also corresponds roughly with the area of low mean annual precipitation.

Not only is there danger of loss of crop from drought, but losses are often incurred from frost. No substantial volume of data is available on this point, but in Alberta at least the most exposed area is one in which the risk of loss from drought is least. Spring frosts are not of great importance unless severe, but fall frosts inevitably influence the quality of wheat considerably.

Certain sections of Alberta are also exposed to an unusually high loss from hail. A comparatively small portion of the total acreage was insured through the Alberta Hail Insurance Board, but the loss experience is of some interest as indicative of the variation among years and possible wider general experience. The loss was lowest in 1933 with 2.4 per cent, and highest in 1927 with 17.1 per cent. The average loss over the sixteen-year period was 8.6 per cent of the total risk. When it is realized that the maximum recorded in other sections of North America, seldom reaches the average loss recorded in these data, the importance of this source of loss is realized.

TABLE IV.

HAIL INSURANCE LOSSES OF THE ALBERTA HAIL BOARD, 1919-34(1)

Year	Acres Insured	Per cent of loss to risk
1919	2,180,518	3.8
1920	2,332,081	4.0
1921	2,266,736	10.6
1922	1,570,707	2.1
1923	2,248,240	11.4
1924	958,695	5.5
1925	1,148,545	6.3
1926	1,139,064	6.3
1927	1,550,676	17.1
1928	1,328,432	12.4
1929	887,532	7.3
1930	1,246,487	16.0
1931	293,048	9.6
1932	452,599	3.1
1933	188,171	2.4
1934	255,724	10.2
	20,047,255	8.6

(1) A report on the Rehabilitation of the Dry Areas of Alberta and Crop Insurance. (p. 79).

These climatic factors and others, such as temperature and wind variations, weed, fungus and insect infestations, etc., to which we have not specifically referred, combine to produce a high variability in crop yields and quality. Since wheat is the

most important crop the resultant variation has been examined on the basis of this crop alone and the examination is confined to quantity. The values of the coefficients indicate an unusual variability. Variation has been greatest along the Alberta-Saskatchewan boundary toward the south. The coefficients of variation for the three provinces, and important wheat states in the United States are compared in Table V. Variations of yield have been greatest in Alberta, with Saskatchewan and Manitoba following in the order named. These Provinces evidently lie in the area of greatest variability on the North American continent.

TABLE V.

COEFFICIENTS OF VARIATION FOR WHEAT YIELDS IN THE PRAIRIE PROVINCES AND CERTAIN STATES IN THE UNITED STATES

Area	Mean Yield	Coefficient of Variation
Alberta	17.24	36
Saskatchewan	14.59	33
Manitoba	15.97	26
Minnesota	....	23
South Dakota	....	36
North Dakota	....	36
Montana	....	33
Wisconsin	....	16
Iowa	....	13
Illinois	....	17
Indiana	....	21
Ohio	....	22
Missouri	....	18
Nebraska	....	21
Kansas	....	22
Oklahoma	....	25
Texas	....	29

The absolute figures of yields, from which this table is computed are in the tables showing yield, price, and acre values of wheat in the Prairie Provinces in the Appendix, Tables XIX. XX and XXI.

THE VARIATION IN GROSS VALUE OF PRODUCTION OF WHEAT HAS BEEN GREATER THAN THE VARIATION IN PHYSICAL PRODUCTION

Variations in price of wheat as well as in yields and quality, vitally affect the level and variability of income of the wheat farmer. If low yields were always accompanied by high prices, his income would necessarily be more stable than that indicated by the yield experience; while if changes in yield were accompanied by stable prices, it would be merely as unstable. Unfortunately, there does not appear to have been any regular relationship in the past experience, and low yields are as likely to be

accompanied by low as by high prices. This is shown in Table VI(1) in which are given the coefficients of variation for yield per acre of wheat, reported farm price per bushel, and gross value per acre for these provinces. The variability of gross value per acre from wheat has been considerably greater during this period than the variation in yield, in each of the provinces. That is, variations in the price of wheat between 1910 and 1936 have been an even greater cause of fluctuation in the value of wheat per acre than the variation in yields.

TABLE VI.

COEFFICIENTS OF VARIATION FOR WHEAT YIELDS, FARM PRICES AND PER ACRE GROSS VALUES IN THE PRAIRIE PROVINCES, 1910-1936

Province	Yield	Price	Value
Alberta	36	52	56
Saskatchewan	33	55	49
Manitoba	26	53	55

A special accentuation of the variability in the gross value of production per acre of Western agricultural products, arises from the high and relatively rigid transportation and handling charges, which must be deducted from world prices in order to discover farm prices. The influence of these charges upon price variability is well known; prices in the higher priced market, fluctuate relatively less than in the low priced market. Alberta rests upon the very apex of the transportation structure in Canada; thus this effect is felt more severely here than elsewhere. While the transportation and handling costs are not entirely rigid, lake and ocean shipping charges tending to decline at least with depression and frequently with low yields, the long rail-haul required by the export goods of most of Western Canada, introduces a high degree of rigidity. Table VII and Figure 2 demonstrate the foregoing.

TABLE VII.

COEFFICIENTS OF VARIATION OF WHEAT PRICES(2)

	1913-30	1921-30
No. 1 Northern, Liverpool	27	16
No. 1 Northern, Winnipeg	31	15
No. 1 Northern, Regina	34	17
No. 1 Northern, Calgary	35	20

(1) It must be noted that the variation in farm price per bushel represents the larger proportional variation that is felt in farm prices than in world prices due to the relative rigid transportation and handling differential. (See later).

(2) Mackintosh: "Economic Problems of the Prairie Provinces," p. 22.

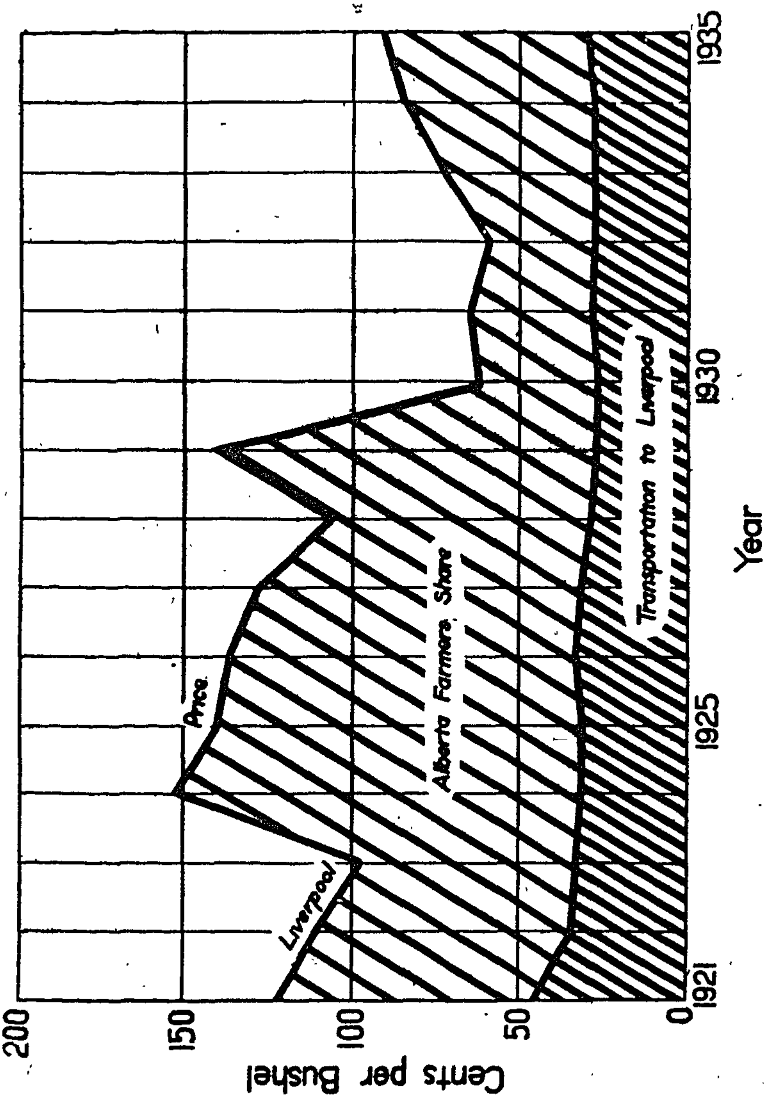

FIG. 2— Variability in Gross Value of Wheat Production, 1921-1935.

While a previous table (Table VI) has given the coefficients of variation for farm prices of wheat in the Prairie Provinces for the years 1910-36, and Table VII has also shown the extent of variability, it is desirable to have an indication of the actual fluctuations of these prices in the depression years. In addition to the tables showing yield, price and acre values of wheat in the Prairie Provinces (in the appendix, Tables XIX, XX and XXI) the following table provides bases of comparison of the prices of all field crops in the separate Prairie Provinces as compared with those of the Central Provinces.

TABLE VIII.

INDEX NUMBERS OF PRICES OF ALL FIELD CROPS, 1926-36

Year	Quebec	Ontario	Manitoba	Saskatchewan	Alberta
1926	100.0	100.0	100.0	100.0	100.0
1927	103.7	97.9	107.1	93.9	97.9
1928	93.6	93.3	94.8	76.5	81.0
1929	110.0	92.5	111.9	104.0	106.0
1930	86.4	68.9	46.6	42.7	46.4
1931	55.5	47.7	40.4	37.2	40.1
1932	50.5	44.6	35.7	32.9	35.5
1933	48.5	52.0	46.9	44.5	46.0
1934	70.6	55.0	61.5	59.8	58.6
1935	60.0	50.6	46.4	51.6	52.6
1936	65.5	62.6	77.8	80.7	80.6

Source: Monthly Bulletin of Agricultural Statistics, January, 1937, p. 29.

It will be observed that the prices fell earlier in the west, than in the east and were generally at considerably lower levels, especially as compared with Quebec. The rise in 1936, however, carried prices in the Prairie Provinces higher, relative to 1926, than in the east. This must not be interpreted as meaning that the actual level of prices in the west was above that in the east. Actual prices remained lower, largely because of transportation costs. Prices rose in both areas, relatively more in the west, and the difference in relative levels developed during the depression years changed. The important point is that the range in fluctuation was considerably greater in the west. It should also be kept in mind that the years of depressed prices were also those of low crop yields in the west and that relative incomes from field crops showed an even greater variation.

Similar information is given in Table IX which presents roughly estimated indexes of wholesale prices of goods produced in the Prairie Provinces, a more general series than the foregoing, which is, however, also dominated by the price of wheat. For comparison it also presents indexes of wholesale prices of goods produced in the Central Provinces. These indexes are

secured by weighing the appropriate group indexes comprising parts of the wholesale price index for the whole of Canada, by the relative importance of each type of net production in the particular province. This comparison certainly understates rather than overstates the differences between the comparative price fluctuations in the Western and Central Provinces, since the average prices of agricultural products for Central Canada exceed those for Western Canada and relate to a larger proportion of products which do not fall as rapidly in price. Similarly manufacturing and non-agricultural primary production in the West is of goods more variable in price than products of similar industry in the East.

TABLE IX.

INDEXES OF WHOLESALE PRICES FOR GOODS PRODUCED IN SPECIFIED PROVINCES (1926=100)(1)

Year	Province				
	Quebec	Ontario	Manitoba	Saskatchewan	Alberta
1926	100.0	100.0	100.0	100.0	100.0
1927	98.0	98.1	100.0	101.6	100.6
1928	97.0	96.8	98.7	100.3	99.1
1929	95.8	95.7	98.3	100.2	99.0
1930	86.9	86.5	84.8	82.9	83.8
1931	72.6	71.6	64.7	58.3	61.9
1932	66.7	65.9	57.9	50.7	55.1
1933	66.5	66.2	59.3	53.0	56.8
1934	70.5	70.2	65.2	60.5	63.4
1935	68.6	68.7	65.7	63.8	65.8

(1) These indexes have been computed by weighing the indicated group price indexes of the Dominion Bureau of Statistics by the relative values of net production in the various provinces in 1926. Trapping and custom and repairs, which are relatively unimportant groups, have been omitted.

Group Price Index	Weight—Net Value of Production
Canadian farm products	Agricultural products
Articles of forest origin	Forestry
Articles of marine origin	Fisheries
Articles of mineral origin	Mining
Computed kilowatt rate	Electric power
Producers' materials	
Buildings and construction	Construction
Fully and chiefly manufactured	
Aggregate combined index	Manufacturing

Prices fell the most in Saskatchewan, followed by Alberta. At the low point in 1932 the index for Alberta had fallen 44.9 points, while that of Ontario had fallen 34.1 points. Compared to the relationship that had prevailed in 1926, the level of prices of goods produced in Ontario in 1932, was nearly 20 per cent above that in Alberta; and nearly 30 per cent above that of

Saskatchewan. Disastrous as were the price declines in the Central Provinces they were considerably less than in the Prairie Provinces, and could not have paralyzed the economy as greatly as those in the West.

THE VARIATION IN NET INCOME FROM WHEAT EXCEEDS THAT OF GROSS INCOME

The farmer's net income from wheat per acre, varies even more than this large variation in the gross value of production. This is because in wheat production there is a considerable body of costs involved in production, which bear little relation to the resulting yield. Taxes and interest charges go on in years of good or bad crops, and good or bad prices. Land must be ploughed and seed sown regardless of the size of the resulting crop, and indeed the farmer himself must live. Some of the prices of the items entering into these necessary expenditures, vary with good or bad conditions, but to nothing like the extent of variations in gross value of production. Many of them are products of the industrial Central Provinces, with relatively rigid prices. The high degree of rigidity of prices of such goods in Eastern markets, is intensified by the addition of almost absolutely rigid transportation charges. A smaller group of other costs varies with the size of the crop, but not appreciably with the price received for the product; such are harvesting and threshing costs. In order to analyze these variations in net income, records of expenditures would be necessary from many farms over a long period of years. No such records are available in Alberta, but the general nature of the magnitude and character of these expenditures is sufficiently known to warrant a rough calculation.

All studies of farm costs show wide variations between different producers. Moreover, the determination and allocation of farm costs involve questions of a highly controversial nature. Any computations must be subject to many qualifications and exceptions. However, in order to indicate the manner in which costs operate to produce larger variations in net income than in gross income the calculations given below in Tables X and XI have been made. The basis of estimate is the one that appears most reasonable in the light of available studies. The results are to be considered illustrative only, although it is thought that they are reasonable. Assumptions of higher or lower costs, or a different proportion between fixed and variable costs, would change the variation of the calculated net incomes. Unless the assumptions are widely in error, however, the general conclusions would be unchanged. Several studies

of restricted groups of farms have been made by the University of Saskatchewan, and the Food Research Institute has examined and analyzed the available data, for both pre-war and post-war periods, in the spring wheat belt.

TABLE X.

CASH OPERATING EXPENSES PER ACRE OF WHEAT IN THREE SASKATCHEWAN DISTRICTS.(1)

Expense	Belbeck 1925-26	Melfort 1925-26	Swift Current 1927-28
Variable	$ 4.90	$ 4.97	$ 4.62
Constant	6.85	7.06	6.85
TOTAL	$11.75	$12.03	$11.47

(1) Mackintosh: "Economic Problems of the Prairie Provinces," p. 29. The data are taken from University of Saskatchewan College of Agriculture Bulletins, Nos. 37, 43 and 52.

TABLE XI.

AVERAGE ITEMIZED YEARLY COSTS PER ACRE, EXCLUDING LAND CHARGES, OF PRODUCING WHEAT IN THE SPRING WHEAT BELT, UNDER PRE-WAR AND POST-WAR CONDITIONS BY AREAS.(2)

	Pre-war		Post-war	
	Yield	Cost	Yield	Cost
Minnesota	14.0	$ 7.95	14.5	$12.59
North Dakota	11.1	7.36	11.4	11.14
South Dakota	10.9	6.65	11.8	10.08
Montana	24.8	10.23	14.5	14.22
Manitoba	17.8	8.96	14.9	13.29
Saskatchewan	18.3	10.63	16.4	13.37
Alberta	21.1	10.72	15.2	13.13

(2) Bennett, M. K.: Average Pre-War and Post-War Farm Costs of Wheat Production in the North American Spring Wheat Belt. Supplement to Wheat Studies, Vol. 1, No. 6, May 1925, p. 27.

From these two studies it would appear that $10.00 per acre may reasonably be taken as an average out-of-pocket expenditure per acre on wheat, with average yields during the post-war period, and that constant and variable costs may be divided in about the proportion of 70 per cent constant and 30 per cent variable. Using this basis for the period 1917 to 1929 and lowering expenditures $.50 per acre per year in the years 1930 to 1933, results in the net acre incomes in Alberta during the period. These data are shown in Table XII.(3)

(3) The computations will be found in Appendix, Table XXII.

TABLE XII.

ESTIMATE NET PER ACRE INCOME FROM WHEAT, EXCLUDING LAND CHARGES IN ALBERTA, 1917-1935

Year	Net Income	Index of Net Income
1917	$21.84	399
1918	3.56	65
1919	6.36	116
1920	20.88	381
1921	— .69	— 13
1922	— .14	— 3
1923	6.72	123
1924	4.44	81
1925	9.74	178
1926	9.47	173
1927	14.79	270
1928	8.56	156
1929	5.76	105
1930	— 2.23	— 41
1931	— 2.46	— 45
1932	— 3.30	— 60
1933	— 1.53	— 28
1934	1.30	24
1935	1.12	20

— Loss.

It must be emphasized that these computations fail to deduct as expenses the taxes and interest charges on land values, even when interest charges are being paid on mortgages. Neither do they count as expenses the cost of living of the farmer and his family. Both of these classes of expenditures are therefore included in the residual figure of estimated net income per acre of wheat.

To translate the net income figures above (with land charges also deducted) into terms of the real goods the farmer buys (or perhaps to discover, from the net income figures given, how much will be available for taxes and interest payments, after a living is provided the farmer), it is necessary to take account of the fluctuations in the prices of goods the farmer buys. The general circumstances underlying the relative rigidity of the prices

TABLE XIII.

PURCHASING POWER OF ALBERTA WHEAT (1913-14 = 100)

Year	Index of Price of Alberta Wheat	Searle Index things bought by farmers	Purchasing Power of wheat
1926	138	157	88
1927	127	158	80
1928	101	159	64
1929	150	162	93
1930	51	155	33
1931	47	138	34
1932	42	130	33
1933	59	124	48
1934	76	124	61
1935	80	125	64
1936	114	126	89

of these goods at their place of production, and the effect of high and almost rigid transportation charges in increasing the degree of cost rigidly in the West, have already been indicated. Table XIII gives the Searle Index of prices of things bought by farmers, in relationship to the farm price of Alberta wheat.

It is not proposed, in this section, to attempt any estimate of the degree to which interest charges tend, by private compromise or other arrangement, in times of depression, to fluctuate with variations in net income.

It is worth while indicating, at this point, the manner in which the especially sheltered position of Canadian producers of things farmers buy and the remoteness of Western Canadian farmers, operated to intensify the rigidity of prices of things farmers buy in Canada, in comparison with the situation in the United States of America. This is shown in Table XIV.

TABLE XIV.

INDEXES OF THINGS BOUGHT AND SOLD BY FARMERS, CANADA AND UNITED STATES, 1926-36

Year	Prices Paid Farmers		Cost of Goods Bought by Farmers	
	Canada Field Crops (1913=100)	U.S.A. Prices Paid Farmers (1910-14 = 100)	Canada Searle Index (1913-14 = 100)	U.S.A. Prices Paid by Farmers (1910-14 = 100)
1926	143.6	145	157	155
1927	138.6	139	158	153
1928	121.5	149	159	155
1929	150.7	146	162	153
1930	83.1	126	155	145
1931	67.3	87	138	124
1932	61.9	65	130	107
1933	80.0	70	124	109
1934	96.8	90	124	123
1935	80.3	108	124	125
1936	111.7	114	126	124

This evidence of the extreme variability of the net income of the Alberta wheat farmer would give a false impression of the variability of the net income of the people of this Province if a large proportion of the relatively rigid charges, which must be deducted from gross income to make net income, accrued to other citizens of this Province. That this is not so, is a matter of common observation. The heavy adverse net balance of interest charges, the large proportion of transportation charges going to earners outside this Province, the large proportion of goods consumed which come from outside our boundaries, need

not be further demonstrated statistically. From a Provincial point of view, the picture would be brightened if there were any considerable segment of the economy engaged in production of other more stable-priced goods for shipment outside the Province, or in the production of goods and services for Provincial consumption, by other than wheat producers or those dependent on them. In the latter case, producers in such a segment of the economy might be able to more or less maintain their own incomes regardless of fluctuations in net income of the wheat farmers. However, that the income of almost everyone in Alberta is, in greater or less degree but on the whole in considerable degree, closely dependent upon wheat yields and prices is also a matter of common observation. Thus, the picture of variation in the net income of wheat producers is not too extreme a picture to be applied to the variation of the net income of the people of the Province.

It remains to seek some indication of variation in the total net income of the people of this Province. The basic data found in the estimate of the net value of production made by the Dominion Bureau of Statistics,(1) include estimates for agriculture, forestry, fur production, mineral production, manufacturing, construction, custom and repair, and electric light and power. The estimated value of net production in the Prairie Provinces, reached a peak of 989 million dollars in 1928, and constituted nearly one-quarter of the Canadian total (Table XV). By 1933, it had reached a low of 341 million dollars, which was about one-sixth of the Canadian total. The greater relative decline in the value of net production in the Prairie Provinces was due to the greater decline in agricultural prices and a series of poor production seasons. Per capita net production in Alberta, as shown in Table XVII, has generally been less than that in Ontario, while that of Manitoba and Saskatchewan has generally been lower than that of Alberta.

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(1) The term production as used in this connection means, "Such processes as the growing of crops, extraction of minerals, capture of fish, conversion of water power into electrical current, manufacturing, etc."—in economic phrase, the creation of 'form utilities.' It does not include various activities which are no less 'productive' in a broad and strictly economic sense, such as, (a) transportation, refrigeration, merchandising, etc., which add to commodities already worked up into form, the further utilities of 'place,' 'time' and 'possession,' and (b) personal and professional services. 'Gross' production represents the total value of all the individual commodities produced under a particular heading. 'Net' production represents an attempt to eliminate the value of materials consumed in the production process.—For purposes of ordinary economic discussion, the net figures should be used in preference to the gross, in view of the large amount of duplication which the latter include."—The Canada Year Book, 1936, pp. 203-4.

TABLE XV.
ESTIMATED VALUES OF NET PRODUCTION IN CANADA AND THE PRAIRIE PROVINCES FOR SELECTED YEARS(1)
(Millions of Dollars)

Year	Canada	Manitoba	Saskat-chewan	Alberta	Total Prairie Provinces	Prairie Provinces as Proportion of Total
1920	3,682	211	287	265	763	20.7
1922	2,939	158	311	161	630	21.5
1924	3,018	190	237	211	638	21.2
1926	3,640	207	357	298	862	23.7
1928	4,123	235	413	341	989	24.0
1930	3,184	140	131	185	456	14.3
1932	2,105	100	118	157	375	17.8
1934	2,381	115	120	178	413	17.3

(1). Source: The Canada Year Book.

TABLE XVI.
INDEXES OF THE VALUE OF NET PRODUCTION IN CANADA AND SPECIFIED PROVINCES (1926=100)

Year	Canada	Ontario	Quebec	Manitoba	Saskat-chewan	Alberta
1920	101	102	111	102	80	89
1921	77	81	85	68	65	52
1922	81	84	83	76	87	54
1923	84	88	86	60	78	81
1924	83	89	84	92	66	71
1925	92	93	92	91	103	88
1926	100	100	100	100	100	100
1927	107	107	106	97	114	127
1928	113	115	113	114	116	115
1929	108	121	121	89	67	80
1930	87	101	100	68	37	62
1931	71	80	80	59	31	63
1932	58	65	64	49	33	53
1933	55	63	58	47	28	48
1934	65	75	68	56	34	60

TABLE XVII.
NET VALUE OF PRODUCTION INCOME—PER CAPITA FOR SELECTED YEARS

Year	Canada	Quebec	Ontario	Manitoba	Saskat-chewan	Alberta
1920	$403	$418	$488	$354	$394	$468
1922	329	300	387	256	404	272
1924	330	292	398	304	299	353
1926	385	334	433	324	434	490
1928	419	360	479	354	480	518
1930	311	307	407	203	145	261
1932	200	191	254	141	126	212
1934	219	196	282	161	128	235

Source: The Canada Year Book.

In addition to those employed in the occupations listed under net production, people are engaged in transportation, merchandising, and other services. These people are also producers of income so that the aggregate income is larger than the figures given for net income. This aggregate income has been computed in the method employed by the Dominion Bureau of Statistics by assuming that those engaged in the industries and services not included under "net production" produce per capita the same value of product as those engaged in the industries included in the net production statistics.(1)

When the total income is computed upon this basis the relative position of the provinces is not greatly changed. Indexes of the fluctuation of the total income would be identical with those shown in Table XVIII for the changes in the value of net production. In this connection, however, it should be noted that this method of computation probably understates the relative fluctuation of income in the Prairie Provinces, since income added for service enterprises undoubtedly was more stable than that for the production groups, while this source of income bulked larger in Quebec and Ontario, as has been previously indicated. If it is assumed that income in the excluded groups fell at two-thirds the rate of the group included in net production, then in 1933 the spread between the Ontario and Alberta indexes is increased by about 3 points.

It must again be pointed out that the Dominion Bureau of Statistics figure for value of net production represents a much larger and relatively more stable figure than would correspond with our concept of net income. Particularly in agriculture, it does not exclude the large body of land charges nor many of the large body of operating expenses other than seed and feed. If all the proper expenses were deducted, the total net value of production for the Province would be more variable than is shown. The true position, with respect to variability, lies somewhere between the Dominion Bureau of Statistics estimate and the indication given by our estimate of net income per farm from wheat.

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(1) The Bureau has this to say: "In Canada the principal method of obtaining an approximation to the aggregate of the national income, has hitherto been that suggested by Adam Smith, namely, making an annual record of the values created by the leading industries as disclosed by our Census of Industry, which applies to all industries that change the form of the materials which they use in the productive process. Then, having a record of the values created by the five-eighths of the gainfully occupied or active population of Canada, which is engaged in such work, an estimate is made for the production of the remaining three-eighths, who are occupied with the 'creation of 'place,' 'time' or 'possession' utilities, or with the rendering of services, on the assumption that they are equally productive with the included five-eighths in the broader sense of the term 'productive'."—The National Wealth of Canada, Dominion Bureau of Statistics, 1934, p. 6.

TABLE XVIII.
INDEXES OF THE NET VALUE OF PRODUCTION INCOME—PER CAPITA (1926=100)

Year	Canada	Quebec	Ontario	Manitoba	Saskat-chewan	Alberta
1920	105	125	113	109	91	95
1921	83	93	88	71	70	53
1922	86	90	89	79	93	55
1923	88	91	93	62	83	83
1924	86	88	92	94	69	72
1925	94	94	94	92	104	88
1926	100	100	100	100	100	100
1927	105	104	105	95	111	122
1928	109	108	111	109	110	106
1929	102	113	115	84	62	70
1930	81	92	94	63	33	53
1931	64	72	73	53	28	52
1932	52	57	59	44	29	43
1933	48	51	56	42	25	39
1934	57	59	65	50	29	48

Source: The Canada Year Book.

CONCLUSION

The purpose of this Government in discussing the problem of variability of income is to indicate, as forcibly as possible, the difficulties which are presented to us by Nature, and the defects of the present decaying and dangerous economic structure. It is contended that our problems are so great that all unnecessary burdens should be lifted from us or balanced by some form of compensation; such burdens as we must bear for the national good, we contend, should be so adjusted as to stabilize rather than accentuate the variability of our net incomes. It is also contended that the interest of Canada, as well as of this Province, calls for a very vigorous policy of increasing the diversification of production here. This merely awaits encouragement, for the provincial and dominion home markets are capable of considerable development if the present artificial restrictions are removed and demand is rendered effective.

The Government of Alberta feels in duty bound to point out the very grave risk to the future of the nation if the present widely condemned state of affairs is permitted to drift. The injustices which have been suffered by all the Prairie Provinces, but this Province in particular, have been cumulative in their effect upon the economic disintegration of the West, and they have reached the limit of endurance. It is submitted that this, in a very large measure and apart from questions of monetary policy, has been caused by the impact of onerous fixed interest, tariff, freight and other charges upon the highly variable net incomes of the population.

APPENDIX

TABLE XIX.

ALBERTA—WHEAT YIELD, PRICE AND VALUE PER ACRE

Year	Yield	Price	Value
1910	10.30	$ .69	$ 7.11
1911	22.32	.62	13.84
1912	21.57	.54	11.65
1913	22.73	.61	13.87
1914	21.05	.91	19.16
1915	31.12	.88	27.39
1916	24.99	1.33	33.24
1917	19.25	1.74	31.76
1918	6.00	1.92	11.52
1919	8.00	1.83	14.64
1920	20.50	1.52	31.16
1921	10.35	.77	7.97
1922	11.25	.77	8.66
1923	28.00	.65	18.20
1924	11.00	1.20	13.20
1925	18.00	1.09	19.62
1926	18.50	1.05	19.43
1927	27.40	.97	26.17
1928	25.50	.77	19.64
1929	12.00	1.14	13.68
1930	18.60	.39	7.25
1931	17.70	.36	6.37
1932	20.00	.32	6.40
1933	13.00	.45	5.85
1934	15.00	.58	8.70
1935	13.60	.61	8.30
1936	9.10	.87	7.92

TABLE XX

SASKATCHEWAN—WHEAT YIELD, PRICE AND VALUE PER ACRE

Year	Yield	Price	Value
1910	15.84	$ .69	$10.93
1911	20.75	.58	12.04
1912	19.16	.56	10.73
1913	21.25	.64	13.60
1914	13.74	1.48	20.34
1915	25.12	.91	22.86
1916	16.34	1.28	20.92
1917	14.25	1.95	27.79
1918	10.00	1.99	19.90
1919	8.50	2.32	19.72
1920	11.25	1.55	17.44
1921	13.75	.76	10.45
1922	20.25	.85	17.21
1923	21.30	.65	13.85
1924	10.20	1.21	12.34
1925	18.50	1.10	20 35
1926	16.20	1.08	17.50
1927	19.50	.99	19.31
1928	23.30	.75	17.48
1929	10.70	1.14	12.20
1930	13.70	.42	5.75
1931	8.90	.38	3.38
1932	13.00	.30	3.90
1933	8.70	.47	4.09
1934	8.60	.61	5.25
1935	10.80	.60	6.48
1936	8.00	.88	7.04

TABLE XXI

MANITOBA—WHEAT YIELD, PRICE AND VALUE PER ACRE

Year	Yield	Price	Value
1910	12.36	$ .80	$ 9.89
1911	22.56	.67	15.12
1912	22.20	.67	14.87
1913	19.02	.71	13.50
1914	14.84	1.01	14.99
1915	24.76	.90	22.28
1916	10.88	1.23	13.38
1917	16.75	2.05	34.34
1918	16.35	2.06	33.68
1919	14.25	2.40	34.20
1920	13.90	1.83	25.44
1921	11.15	.91	10.15
1922	19.25	.83	15.98
1923	12.30	.67	8.24
1924	16.90	1.24	20.96
1925	17.80	1.18	21.00
1926	22.60	1.09	24.63
1927	14.00	1.06	14.84
1928	19.70	.92	18.12
1929	13.70	1.19	16.30
1930	18.30	.51	9.33
1931	10.70	.41	4.39
1932	16.60	.38	6.31
1933	12.90	.52	6.71
1934	14.60	.65	9.49
1935	9.00	.61	5.49
1936	10.90	.89	8.90

TABLE XXII

ESTIMATE OF THE NET INCOME FROM WHEAT, WITHOUT LAND CHARGE, IN ALBERTA, 1917-35

Year	Variable Expense at 16 Cents per Bushel	Fixed Expense	Total Expense	Acre Value of Wheat	Net Income
1917	$2.92	$7.00	$ 9.92	$31.76	$21.84
1918	.96	7.00	7.96	11.52	3.56
1919	1.28	7.00	8.28	14.64	6.36
1920	3.28	7.00	10.28	31.16	20.88
1921	1.66	7.00	8.66	7.97	* .69
1922	1.80	7.00	8.80	8.66	* .14
1923	4.48	7.00	11.48	18.20	6.72
1924	1.76	7.00	8.76	13.20	4.44
1925	2.88	7.00	9.88	19.62	9.74
1926	2.96	7.00	9.96	19.43	9.47
1927	4.38	7.00	11.38	26.17	14.79
1928	4.08	7.00	11.08	19.64	8.56
1929	1.92	7.00	8.92	13.68	5.76
1930	2.98	6.50	9.48	7.25	* 2.23
1931	2.83	6.00	8.83	6.37	* 2.46
1932	3.20	5.50	8.70	5.40	* 3.30
1933	2.38	5.00	7.38	5.85	* 1.53
1934	2.40	5.00	7.40	8.70	1.30
1935	2.18	5.00	7.18	8.30	1.12

* Net loss.

SECTION II.

The Problem of Private Debt in Alberta

One of the most distressing and immediate problems confronting the people of Alberta is that of debt. Thousands of rural and urban citizens find themselves so overwhelmed with debt that they have nearly lost hope. The burden of debt has seriously affected their morale and, in the case of farmers, has hampered farm operations and farm betterment and has reduced many from the status of proud owners to that of mere tenants. They are faced with a mountain of debt growing higher and higher owing mainly to excessive interest rates accentuating a universal debt creating system, so that even in the event of a succession of good crops and good prices for farm products, the problem of liquidation of obligations seems hopeless. The entire farm plant has in many cases depreciated to a deplorable state. There is always the fear of a mortgage company or some other creditor eventually depriving them of their land and possessions, so that they are unable to adopt a scientific farm improvement plan owing to lack of funds and the uncertainty surrounding the ownership of their property.

Citizens of Alberta are as honest as the citizens of any other part of Canada and would be only too pleased to pay their debts if it were possible to do so. However, owing to circumstances entirely beyond their control, they find that this they cannot do. One reason why the people of Alberta are in open revolt against economic conditions is the intolerable, unpayable debt situation created by a coterie of politically powerful financiers in complete control of Canada's private, monopolistic lending institutions which have ruthlessly imposed a system of charging the highest interest rates in any part of the British Commonwealth of Nations.

The principal cause of unemployment in the cities of Alberta is the private and highly profitable control of currency and credit which has made impossible the inauguration of a scheme for building low-cost homes. This unemployment in turn has aggravated the debt problem as those unemployed have been unable to pay their obligations.

The slow working of economic forces might, of course, after a long enough time rectify the situation by eliminating those most involved through bankruptcy and foreclosure, but this would require, even under ordinary circumstances, a long period

of time and is not the sort of solution which the people of Alberta are willing to accept. Neither is it the kind of solution that is desirable from a national standpoint. No government today would tolerate widespread bankruptcy among any class of its population particularly where the cause of debt accumulation is beyond the control of the debtor class.

THE AMOUNT OF THE FARM DEBT

The greater part of the credit extended to farmers in the prairie provinces has been for the purchase or improvement of land. Of this part the major portion is secured by mortgage. A survey of 2,000 farms by the Canadian Pioneer Problems Committee in 1930 and 1931 revealed that 75 per cent of the total farm debt was mortgage debt.(1) The total amount of mortgage debt has been variously estimated. The census of 1931 reports the mortgage debt on owned property at $107,519,000 for Alberta and $342,442,700 for the Prairie Provinces. This is undoubtedly too low an estimate. This information was first sought in the 1931 census and it is probable that no great care was exercised in seeking the information. In any event, farmers would be very reluctant to give accurate information as to the extent of their obligations. The amount becomes $162,000,000 for Alberta if it is assumed that the mortgage debt on other than owner farms is the same per acre as that on the "fully owned" farms.(2)

An estimate of the mortgage debt constructed from the testimony given by Professor William Allen of the University of Saskatchewan before the Royal Commission on Banking and Currency, gives about the same result.(3) Professor Allen reported that in 1932, records of 408 farms in five districts of Saskatchewan carried a debt averaging $16.31 per acre of crop land, or about $33.00 per acre of wheat. Interest on this amount at 8 per cent requires $1.30 each year for each acre of crop land. He further stated that earlier studies at Kindersley in 1931 indicated the average debt in that district to be about $10.66 per acre of crop land. At Turtleford, in the same year, the farm debt per acre of crop land was $11.22. The following year the Davidson study showed the debt of the farm owners to be about $10.44 per acre of crop land. On the basis of this information, he estimated the debt for the Province at probably not less than $12.00 per acre of crop land. Land values and mortgage indebtedness

(1) Surveys of the Canadian Pioneer Problems Committee in 1930 and 1931, Volumes V, VI and VII.

(2) The reported mortgage debt on "fully owned" farms was $85,766,400, and these farms included 52.9 per cent of the total farm acreage.

(3) Royal Commission on Banking and Currency, Proceedings, Vol. III, p. 1338.

are somewhat higher per acre in Alberta than in Saskatchewan. If Professor Allen's estimate of debt per crop acre for Saskatchewan is increased by the ratio of debt per acre for the two provinces reported for the "fully owned" farms, and applied to the reported crop acreage for Alberta, the result is about $158,-000,000.

It is interesting to note that Professor Mackintosh has taken $400,000,000 as a conservative figure of the mortgage debt for the prairie provinces.(1) The interest rate on these mortgages has been high in the west. As a matter of fact, the rates have been generally two to four per cent above the mortgage rate in the east. The most usual rate appears to have been 8 per cent, while higher rates were not uncommon. R. D. Finlaysen, Superintendent of Insurance, testified in 1926 as follows:(2)

> "On farm loans, the minimum rate of interest, except on very large loans, is 8 per cent. In the case of small loans you will probably find higher rates, going up to 9 per cent. In some cases I have found loans bearing 10 per cent interest. I would say that the average would be something over 8 per cent on farm loans."

The Dominion Mortgage and Investments Association contended in its brief that interest rates charged by one company in Alberta averaged less than 1% higher than in Ontario. This statement is misleading and the Government of Alberta invites the members of the Association to submit their records for inspection. Full details are not available to this Government but an examination of returns made to the Province of Alberta by a large eastern trust company, which has been operating in Alberta since the Province was formed, shows that as at December 31st, 1936, this company had 471 mortgages on Alberta property, some dating as far back as 1908, of which 416 bear interest at 8% per annum, 3 at 7½%, 50 at 7% and 2 at 6%, and that in the majority of cases where the interest rate was less than 8% adjustments had been made, either voluntarily or by compulsion, through The Farmers' Creditors Arrangement Act.

In addition to the mortgage debt, there is undoubtedly a very large total indebtedness in this Province under agreements for the purchase of land. In the absence of reliable statistics, it is extremely difficult to estimate what the total amount would be. Professor Allen stated on behalf of the Province of Saskatchewan that the amount due in that province under Agreements for Sale is estimated at over $100,000,000, or well over fifty per

(1) W. A. Mackintosh, "Economic Problems of the Prairie Provinces", p. 258.
(2) Standing Committee on Banking and Commerce, 1926, p. 37.

cent of the mortgage debt. It is probable that the same ratio exists in this Province. It must be remembered that both the mortgage debt situation and that existing with respect to Agreements for Sale have been very much aggravated by the abnormal inflation of real estate values in the late 1920's. Land throughout the Province was held at prices two or three times its actual productive value as a result of the grain prices prevailing at that time, and the rapid influx of settlers.

The next largest item of farm credit is that for the purchase of machinery. A representative of the farm implement companies testifying before the Agricultural Committee of the Alberta Legislature in 1931, stated that the total amount of "farmers' paper" in the hands of implement companies in southern Alberta was $14,304,000.(1) Since there are about 50,000 farms in this area, this would amount to about $280 per farm. Farms in this region probably use somewhat more machinery than those located in the north, but if these latter farms had only half the debt per farm for implements of the farms in the south, the total farm implement debt for the Province would amount to $21,000,000. The regular terms of purchase have been one-quarter cash, the balance on time. In 1932 it was reported that "practically all machine companies are now charging 7 per cent before due, and 10 per cent after due date."(2) A good share of this paper was past due and thus carried a 10 per cent interest charge; $9,320,000 of the $14,340,000 reported for Southern Alberta in 1931 being past due.

Store credit in Alberta has been estimated by the secretary of the Retail Merchants' Association at $40,000,000 in 1931 on the basis of replies to a questionnaire.(3) This figure was for stores in country places and included debts of others than farmers, although the implication was that farmers' debts were an important part of it. Such a figure is far in excess of the store debt in recorded surveys. The surveys of the Canadian Pioneer Problems Committee included 2,058 farms in the prairie provinces, and reported only 1.6 per cent of total debt as store debt.(4) The studies of Professor Allen show that, for 114 farms in the Rural Municipality of Scott in 1932 about 2 per cent of the total debt was owing to retail merchants (lumber and coal, general, hardware and other stores), and less than 1 per cent for 243 farms in Rosemount and Redford.(5)

(1) Minutes of the Agricultural Committee, Alberta Legislature, February 23, 1931, p. 94.
(2) Minutes of the Agricultural Committee, Alberta Legislature, March 13, 1932.
(3) Minutes of the Agricultural Committee, Alberta Legislature, February 20, 1931.
(4) W. A. Mackintosh, "Economic Problems of the Prairie Provinces," p. 264.
(5) Proceedings of the Royal Commission on Banking and Currency, Vol. III, pp. 1340-1.

In additon to these debts, the farmer has incurred debts to his bank, besides other debts, such as for gasoline and oil for automobiles, for wages and arrears of taxes. In the survey of the Canadian Pioneer Problems Committee, these debts were approximately 9 per cent and 10 per cent of the total of mortgage and implement debts respectively. If this estimate is correct and if Alberta farmers' debts were in the same proportion, the amounts would be $16,500,000 for bank debt and $18,300,000 for other debts.

On the basis of these estimates, the farm debt in Alberta was probably as much as $317,000,000 in 1931, as shown in Table I.

TABLE I

ESTIMATED DEBT OF FARMERS IN ALBERTA IN 1931 ACCORDING TO THE FOREGOING CALCULATION

Character	Amount
Mortgage	$162,000,000.00
Agreements for Sale	90,000,000.00
Implement	21,000,000.00
Bank	16,500,000.00
Store	10,000,000.00
Miscellaneous	18,300,000.00
Total	$317,800,000.00

It is important to note, however, the estimate as at the end of 1936 of the total indebtedness of agricultural Alberta furnished by the Alberta Debt Adjustment Board. This Board, while agreeing that it is impossible to obtain accurate and definite figures covering the total indebtedness of agricultural Alberta, estimates conservatively that the amount would be approximately $395,000,000, detailed as follows:

1. Members of the Mortgage Loans Association	$ 45,000,000.00
2. Canadian Farm Loan Board	6,500,000.00
3. Soldier Settlement Board	8,000,000.00
4. School Lands Branch of the Department of Lands and Mines, under School Lands Contracts	4,500,000.00
5. Organized vendors of land, such as— The Canadian Pacific Railway Company, The Hudson's Bay Company, Lethbridge Northern Land Irrigation District, Canada Land and Irrigation Company, British Dominion Lands Settlement Corporation	21,000,000.00
6. Private Parties, Mortgagees and Vendors of Land	65,000,000.00
7. Banks	35,000,000.00
8. Implement Dealers (Members of the Implement Dealers' Association)	50,000,000.00
9. Retail Merchants	40,000,000.00
10. Oil Companies	15,000,000.00
11. Finance Corporations	15,000,000.00
12. Dominion and Provincial Governments, and Municipalities for Seed Grain and Relief	15,000,000.00
13. Taxing Authorities, in respect of tax arrears	20,000,000.00
14. Rural Credit Societies and Co-operative Marketing Associations	5,000,000.00
15. Sundry Creditors (embracing professional men, and so forth, and including items not listed above)	50,000,000.00
Total	$395,000,000.00

The total farm debt of the Province of Saskatchewan as at December 31st, 1936, is estimated at $525,000,000, based on the studies of Professor Allen.(1) After making every allowance for the larger population of that province and the more acute economic conditions which have prevailed there, it would seem that $395,000,000 would be a fair estimate for Alberta.

Particular importance should be attached to Professor Allen's estimate of the rapid increase in debt in Saskatchewan in 1931 and 1932 and even extending to 1933 and 1934. This increase is estimated to be as much as from 12 to 33 per cent in various districts.(2) There is no doubt that in those years the price of grain was so much below the cost of production that the debt burden was greatly increased. In fact it is not too much to say that the low prices of these years resulted in the debt burden passing the point where there was any reasonable chance of liquidation excepting with the assistance of extensive debt adjustment proceedings.

It is impossible to estimate the total debt of urban citizens in Alberta but it is probably proportionately as high as the farm debt.

THE BURDEN OF THE ALBERTA FARM DEBT

Agriculture is a business in which a large investment is required relative to its current value of output. The average value of productive equipment per Alberta farm is given in the 1931 Census as $8,926, of which land constituted $5,483, buildings $1,410, machinery and implements $1,194, and live stock $839. Many farmers are unable to provide such a quantity of capital and must borrow a considerable portion of their requirements. The resulting interest charge remains constant whether or not there is a crop, and this is an important factor in Alberta agriculture.

Alberta entered the depression with a high agricultural debt relative to its current agricultural income, and the charges for debt service were, in accordance with established practices, higher in relation to current agricultural income than in the more settled communities. A decline in prices naturally falls more heavily on this sort of community than on an older and more settled region. Alberta thus reached a point more quickly than did the eastern farming areas where the farmers could not meet their fixed interest charges. This is of importance in understanding the devastating effect of the fall in prices on the ability to meet contractual obligations.

(1) Submission of the Province of Saskatchewan to the Royal Commission on Dominion-Provincial Relations, p. 194.
(2) Ibid, p. 188.

The burden of a fixed debt charge varies almost inversely with the prices of the products sold. For this reason the burden of the Alberta farm debt is best shown by a comparison with wheat prices. The great increase in the size of this burden during recent years is indicated in Table II. In 1932 more than three times as many bushels of wheat were required to provide funds for the payment of the same amount of interest as in 1926. The proportion of the wheat crop necessary to pay interest on the farmers' estimated debt more than doubled as compared with the years 1926-1928, and required more than 40 per cent of the entire crop in 1933. The burden proved too great for a majority of the farmers and interest was defaulted. Re-examination of Table XII in Chapter VI, Section I, of the estimate of net acre incomes from wheat, indicates the general impossibility of meeting interest charges in the years 1930-1933 and the difficulties in 1934-1935. If the entire estimated mortgage debt of $162,000,000 were to be met by wheat sales the debt per acre of wheat would be about $20.00 and the interest charge $1.40 at 7 per cent and $1.60 at 8 per cent. Such a charge would have exceeded the net income per acre of wheat estimated for 1934 and 1935.

TABLE II

RELATIVE BURDEN OF INTEREST CHARGES ON ALBERTA FARM DEBT MEASURED IN TERMS OF WHEAT—1926-1936

Year	Index of the Amount of Wheat required to meet a Constant Debt Charge (1926=100)	Per cent of Alberta Wheat Crop required to provide $20,000,000 for Interest Payments
1926	100.0	16.9%
1927	108.2	11.9
1928	136.3	17.1
1929	92.1	19.4
1930	269.2	38.5
1931	291.6	39.5
1932	328.1	37.2
1933	233.3	43.4
1934	181.0	30.6
1935	172.1	33.2
1936	120.6	34.3

An examination of Table II impresses upon the reader not only the increase in debt burden upon wheat farmers from 1926 to 1936, but also the effect that burden had upon debts generally among western agriculturalists. Wheat prices continued to decline to a point at which, even with a good crop, farmers were unable to meet costs of production, interest charges on debts, and living costs; in fact farm income almost completely disappeared. But the farmers had to live, and therefore interest

and other debt charges had to be postponed, with the result that the debt burden upon which interest had to be paid grew phenomenally.

There is also the fact to consider that indebtedness is not equally distributed among farmers. There were many farms without mortgage debt reported in the Census of 1931. The computations made have been on the basis of averages for the province. This means that the position of the average mortgaged farm must be decidedly worse than indicated by these computations. Any average disguises or hides the variation among cases, so that many farmers must have been in a more serious situation than that indicated in our computations. For instance, up to September, 1937, the records of The Farmers' Creditors Arrangement Act show that the average debt of the Alberta farmer, who applied for relief under the Act, amounted to approximately $8,800.

THE BURDEN OF INTEREST

Undoubtedly to a very large extent, apart from the debt-creating characteristic of the present system, the financial difficulties of this Province may be attributed to high interest rates. The Provincial Government and many of the municipal organizations have been obliged to pay higher rates on their borrowings than public securities of such kind should properly bear. Private individuals, corporations, municipal organizations and even the Provincial Government were obliged to pay a higher rate of interest on bank borrowings than prevailed in eastern Canada. As already stated, farm machinery was sold on the basis of seven per cent until the date of maturity of the paper and ten per cent after maturity, while the average minimum rate on farm mortgages and agreements for sale was 8 per cent with many instances known where the rate was 9 per cent and even 10 per cent. It is now probably recognized quite generally that farm lands simply cannot carry an interest rate as high as 8 per cent even in normal times much less when the prices of farm commodities drop to as low a point as prevailed in the depression years. Unfortunately, creditors were slow to recognize this fact with the result that unpaid interest accumulated to such an extent that it alone has made it quite impossible for farmers to meet their obligations.

It must be remembered that unpaid interest accumulates with astonishing rapidity when compounded at high rates. For example, a debt of $1,000 on which interest was not paid for seven years (corresponding to the period from 1930 to 1936 inclusive) would amount to $1,606 if compounded at 7 per cent, and $1,714 if compounded at 8 per cent. When the debtor was

able to renew payments, therefore, even at the lower rate of 7 per cent, annual interest payments alone would amount to $112.42 as contrasted with the former $70, and the total debt to be paid off would be sixty per cent larger. Even if the debt load had been a reasonable one for the farmer to carry before the depression, it would be quite evidently an unreasonable one afterwards, and extremely difficult to carry even in a series of years as good as those prevailing between 1924 and 1929. The high interest rates prevailing in western Canada are unjust to the borrower even in normal years. They require the western borrower to make greater denial to meet his obligations than the eastern borrower. In times of depression, whether caused by drought, insect pests, hail, frost, low prices for products, financial manipulation or other factors, high interest rates become an instrument of confiscation through the cumulative effect of compounding interest. The significance of the burden of interest is shown as follows:

A loan at 3 per cent per annum compounded, doubles itself only after twenty-three and one-half years, but a loan at 8 per cent per annum (the customary rate in western Canada) doubles itself in nine years.

The practical consequence of this geometrical progression of interest accumulation is seen in the following progression:

$1.00 loaned at 3 per cent in 100 years totals $ 19.22.
$1.00 loaned at 8 per cent in 100 years totals $ 2,199.76.
$1.00 loaned at 10 per cent in 100 years totals $13,780.00.

Even at 7 per cent per annum the profits of compound interest are prodigious.

The classic example of a bargain in real estate is that of Peter Minuits who in 1626 purchased the island of Manhattan from the Indians for $24.00. The real estate is now the site of the city of New York. Yet, if Minuits had invested his $24.00 at 7 per cent per annum compounded, it would long ago have reached a total greater than the total value of the entire city and state of New York.(1)

An outstanding example of the burden of interest is to be found in the public debt of the Province of Alberta. The Province, from the time of its inception to March 31, 1937, has paid approximately 110 million dollars by way of interest charges on its bonds and this does not include interest paid on implemented guarantees such as Co-operative Credit Society loans, seed grain advances, etc. This figure only allows for the half interest rates paid on bonds from May 30th, 1936. If full interest had been paid on bonds in that period it would be necessary to add

(1) "Usury", by Calvin Elliott.

approximately two and one-quarter million dollars. In a few more years the Province will have paid in interest charges an amount equal to its entire debt. The conclusion naturally is that interest rates on Government borrowings in the past have been far too high.

The Province of Alberta has outstanding, in respect of its telephone investment, approximately 25 million dollars in bonds. It has already paid over 24 million dollars in interest on these bonds and still owes the principal sum. The Province has also provided over 24 million dollars for interest and sinking fund in respect of its expenditure on highways, an amount practically equal to the total sum received from motor licenses since the Province was formed.

It is most difficult to estimate the interest paid by the residents of Alberta on private debts but the amount must be enormous and would no doubt exceed 500 million dollars. The Government of Alberta submits that countless cases have arisen where debtors are in default and foreclosures have been sought where the defaulting debtors would never have got into the category of default had interest rates in the west been on the same basis as interest rates in eastern Canada. A common example of this is to be found in the case of a newly-established resident of Edmonton in 1910 who purchased a home in that year for himself and family. To do so he assumed a mortgage on the property for $2,500 at 10 per cent interest. Altogether he has paid on account the sum of $5,275 and still owes $1,300 for principal and interest and is threatened with foreclosure. Had the interest rate been even 7 per cent per annum instead of 10 per cent per annum, the mortgage would have been paid off some time ago. Instead, it is now tabulated among the evidence that the west is an unsafe place for mortgage investment. Had the high rates of interest imposed upon borrowers in western Canada been imposed upon borrowers in eastern Canada they would have produced the same results in the east as in the west by making it practically impossible for borrowers to meet their obligations.

Another instance may be given of a farmer who purchased a large tract of land in 1918 from an eastern trust company, the trust company having obtained this land at a very low price per acre shortly after the year 1900. The farmer and his estate have paid to the company over $90,000 to date, of which only $53,000 represents principal, and yet the farmer's widow still owes $11,000 on the agreement for sale. The agreement bears interest at the rate of 8 per cent per annum. Attempts have

been made from time to time to persuade the trust company to reduce the amount owing and the rate of interest, but the company has steadfastly refused to make any concessions whatever.

While much has been said about the sanctity of a contract, not enough attention has been paid to the sanctity of human life and happiness. In fact, the human element seems to have been entirely overlooked. Thousands of honest debtors and their families are in need of the necessities of life and yet, were it not for restrictive legislation, many creditors would enforce collections of money that is urgently required for clothes, equipment, medical attention and other essentials. It is submitted that there are things in life which transcend the value of money. The appalling sacrifices made, particularly during the depression, by debtors in western Canada, to meet their principal and interest obligations are not generally realized in other parts of the Dominion as one must be in close contact with our people to get a clear picture of the distress and misery prevailing in thousands of homes. The time has come when it must be apparent to all that money power must be made the servant and not the master of Canada and its eleven million citizens.

In 1936, the Alberta Bondholders' Committee was formed to prepare, on behalf of Alberta bondholders, a study of the economic and financial position of the Province. The gist of this report was to the effect that Alberta could pay all of its interest obligations in full and adopt a fairly consistent plan of reduction in principal over a period of years. This, together with other economic conclusions detailed in the report, is a typical illustration of the ignorance of creditors as to the true state of affairs in the Province, of their short-sightedness in failing to suggest any concessions whatever and of their "laissez-faire" attitude towards the suffering of our people. The question may well be asked: Are not creditors inviting repudiation or default by insisting on their pound of flesh? It is interesting to observe that while the bondholders are demanding payment in full of their interest, which averages approximately 5 per cent on all Alberta bonds, investors are eagerly seeking opportunities to buy Government bonds yielding from 2 to 3 per cent per annum. For instance, early in January, 1938, investors required only one and one-quarter hours to absorb the new Canadian National Railway loan of 50 million dollars of which the sum of 20 million dollars bears interest at the rate of 2 per cent per annum and 30 million dollars at the rate of 3 per cent per annum. At the same time, investors refuse to compromise on existing high interest rate securities in western provinces. Taking everything into

consideration, it is only reasonable to state that creditors must bear no small part of the blame for the discontent and bitterness existing throughout western Canada to-day.

Whatever justification can be plausibly advanced for high interest rates in western Canada in its early history, the fact remains that the time has passed when western Canada is to be considered as a thing apart or a sort of colonial possession of eastern Canada to serve as an area of exploitation and for the imposition of higher money rates. The west is no longer a pioneer country and events have shown that to properly function, agriculture in Alberta, Saskatchewan and Manitoba must be even more favourably financed than other industries in the Dominion of Canada, whereas now the reverse is the case.

ENCOURAGEMENT OF PRIVATE DEBT

In considering the private debt structure in Alberta, particularly in the rural communities, we submit that the reason for the amount of the outstanding debt must be considered. How were these debts created? There seems to be a general impression in eastern Canada that a great favor was extended to the west by the investment of funds. The assumption is that westerners pleaded for loans and credit. This general idea is, for the most part, entirely erroneous. It is admitted that loans were often sought and naturally lenders were approached. Their rates and terms had to be accepted due to lack of other sources of credit. But it is common knowledge that lending institutions were anxious to invest their surplus funds in mortgages on farm lands and city properties and in Alberta bonds. Lending institutions were not *forced* to commence operations in this Province. They came of their own accord and some started operations when the Province was formed or soon afterwards. The simple fact is that they needed an outlet for their funds, and as this was a new country they could obtain higher rates of interest than they could in older settled communities. This enabled them to pay higher rates of interest and dividends to their debenture holders, shareholders and customers. Institutions lending money on farm lands and city properties often appointed agents wherever they operated in the Province and encouraged these agents to find borrowers. Agents were paid commissions on the loans they secured. There was keen competition amongst different lending companies for first mortgages. Loan agents frequently persuaded farmers to buy additional land or other property and secured loans for them in order to finance these purchases.

There was a time in Alberta when banks encouraged farmers to buy live stock by borrowing money from them. People in

Alberta will remember that, particularly up to the fall of 1919, there was keen competition amongst the banks for farmers' loans for this purpose. It was very easy for a responsible farmer to buy live stock with money borrowed from a bank, the bank taking a chattel mortgage on the live stock purchased. The winter of ~~1919 and 1920 was particularly severe.~~ It opened on October 1st, 1919, with a heavy snowfall, as a result of which many crops were snowed under. What was left of these crops could not be threshed until spring opened in late May, 1920. The price of feed reached unheard of prices. This ruined many farmers owning live stock, but the debts to the banks still remained and, of course, the banks expected these debts to be paid in full with interest, notwithstanding the fact that the security for the advances, namely live stock, could be salvaged only for a portion of the original advances apart altogether from the cost of feeding the live stock during this severe winter.

Again loan companies in many cases were to blame for the manner in which loans on property were granted. Before loans were made the properties which were to be mortgaged were appraised by agents of the lenders. It must be admitted that lenders often encouraged over-borrowing against inflated values and this has aggravated our debt problem. If they had been able to visualize the future, they would have advanced less and would not have loaned in certain areas. It is only reasonable to conclude that they must, as a matter of equity, accept the responsibility for their own poor judgment and should not now endeavor to throw the whole burden on the borrower.

Another element in the creation of debt is to be found in the high pressure salesmanship of machine companies and other companies selling merchandise to farmers. Credit was offered freely, and prospective buyers were encouraged to purchase goods on the basis of prospective future revenue which never materialized.

It was seldom that a debt was created which did not carry a high interest rate. A detailed study of private debt in the Province would reveal that in many cases the principal amount has already been paid by way of interest charges and in some instances two or three times over. A high interest rate therefore is one of the main factors in the private debt problem of the west today.

INVESTMENTS OF TRUST, LOAN, LIFE INSURANCE COMPANIES AND BANKS IN ALBERTA

According to returns made to the Province of Alberta by trust, loan and life insurance companies registered under Alberta

statutes their gross income from investments in Alberta from the formation of the Province to December 31st, 1936, apart from life insurance premiums paid life insurance companies, amounted to over 96 millions divided as follows:

Life Insurance Companies	$54,703,068
Trust Companies	12,028,435
Loan Companies	29,768,616
Total	$96,500,119

The same returns show that the total investments of these companies in Alberta as at December 31st, 1928, and December 31st, 1936, were over 72 million dollars and 77 million dollars, respectively, divided as follows:

	1928	1936
Life Insurance Companies	$47,657,322	$49,429,856
Trust Companies	7,174,430	10,316,378
Loan Companies	17,833,967	17,375,086
Total	$72,665,719	$77,121,320

The vast majority of these companies have their head offices in eastern Canada.

During this period of eight years when our people suffered severely, the total gross income of these companies in Alberta, according to the same returns, amounted to over $33 million, divided as follows:

Life Insurance Companies	$20,761,844
Trust Companies	2,965,727
Loan Companies	9,298,545
Total	$33,026,116

Their investments in Alberta during the same period increased approximately $4,455,600. It is obvious that in spite of paying very large sums to these corporations during difficult times, Albertans are even more heavily in debt than at the beginning of the period. Nothing illustrates better than this the devastating effect of the accumulation and compounding of interest on a high rate basis during the depression period.

It is believed by the Government of Alberta that the above figures are conservatively estimated, for the following reasons:

1. In the earlier years of operations of certain companies, the returns do not reveal gross income.

2. It is believed that returns of trust companies do not reveal income from their numerous mortgages held by them in trust.

3. Some of the companies may have been operating in Alberta before registering and filing returns.

4. There is a possibility of overlapping in some of the earlier

years by reason of a registered company making investments, for other companies, on which the registered company would only receive a commission.

The foregoing figures do not cover investments and income in Alberta of the Canadian Farm Loan Board, Soldier Settlement Board, Canadian Pacific Railway Company, Hudson's Bay Company, banks, miscellaneous land companies, private individuals and other investors, as they merely refer to returns made by trust, loan and life insurance companies registered in the Province.

An analysis of financial statements available, of loan and trust companies having the heaviest investments in Alberta, shows that during the period they have been lending in the Province, their net earnings per share have been substantial. These have always paid regular dividends and have piled up ample reserves, in some cases equal to or greater than their paid-up capital and sufficient to more than cover, in the majority of cases, their entire investments in the Province. Generally speaking, their investments in Alberta represent only a small proportion of their total investments. While these companies are progressing and paying dividends year after year, the average borrower in the west is sinking deeper and deeper into the quagmire of debt and despair.

The loan company having the largest investment in the Province is one of the largest of its kind in Canada. Its investments in Alberta and Saskatchewan represent less than 6 per cent and 9 per cent respectively of its total mortgage investments throughout Canada. Until 1934 its net earnings per share of $100 par value were only once below $12. In 1934, 1935 and 1936 its earnings dropped to slightly below $10 per share. This company was doing business in Alberta when the Province was formed in 1905 and the total of its annual gross income in Alberta since 1905 is already double the amount of its average annual investment in the Province for the same period. It has always paid a good dividend running from 8 to 12 per cent per annum. As an example of this company's insistence on obtaining its "pound of flesh", it might be pointed out that in 1937 it refused to make any concession whatever to a farmer who had been paying 9 per cent interest for fourteen years and 7 per cent interest for two years on a loan of $1,000. The amount of the loan had been reduced by 1937 to 40 per cent of the original amount. The company collected the entire balance without any deduction through a loan secured by the farmer from the Canadian Farm Loan Board. In order to close out this loan, the farmer's other creditors were obliged to drastically reduce the amount of their claims.

The head office officials of the company, mentioned in the preceding paragraph, and of other companies, do not hesitate to make public statements in Alberta and elsewhere condemning debt legislation and insisting on complete freedom of action for mortgagees. It is suggested that these arm-chair critics, in order to familiarize themselves with conditions, should spend at least one month in every year living and associating with their debtors who have been slaving year after year, many of them under miserable conditions, in order to produce handsome dividends for the shareholders of these companies and munificent salaries for their head officials.

Life insurance companies interested in Alberta mortgages continue to report, year by year, improvement in their general financial status by way of new business written, larger dividends and increased reserves, and proudly announce that they have put aside in special reserves, sufficient to cover all possible losses in western Canada. A great deal has been said about the necessity of these companies collecting the full amount payable to them by borrowers under mortgages in order to protect policy holders. The Government of Alberta is fully in accord with safeguarding the savings of people who purchase life insurance policies for the protection of their estates and dependents, but is quite satisfied that this point has been unduly exaggerated. It is common knowledge that many companies have been able to increase their dividends or decrease their premiums by reason of the high rate of interest they have secured in the past in western Canada, and their policyholders have profited for years at the expense of farmers and other borrowers in western Canada. Agriculture has already contributed far more than its proper share to life insurance contract holders. It is admitted by life insurance companies now, that they are finding it more difficult to maintain the same rate of return on their investments as interest rates have dropped in the last few years, but they are still endeavouring to collect a high rate from their western debtors. It is submitted that it would only be equitable for these companies operating in western Canada to write off their interest charges during the period that borrowers, through no fault of their own, could not keep up their payments; and also they should reduce their rate on all existing mortgages to not more than 3 per cent per annum. These write-offs could be provided for out of the millions of dollars in surplus reserve funds without any hardship to policy holders, or by a decrease in dividends paid to policy holders. It is believed that a close analysis of the result of this operation would reveal that the cost to each policy holder would be infinitesimal, bearing in mind that it is estimated that about three and one-half million Canadian citizens have policies with

Canadian life insurance companies, and it is felt that policy holders would be only too glad to assist their less fortunate fellow citizens in this manner.

The life insurance company having the heaviest investment in Alberta, according to annual returns filed, increased its dividends payable to policy holders in 1937 and has already collected approximately 15 million dollars from its investments in Alberta. It is a fact also that borrowers would, by receiving these concessions, have more funds for purchasing life insurance policies and needed merchandise, so that, in the long run, business would be stimulated and paid-up life insurance would increase. Thousands of borrowers today are so deeply in debt and so tied up to mortgagees that they have been forced to abandon their life insurance protection. The argument is often used that life insurance policies must be protected in every possible way, as so many widows and orphans are interested. The Government of Alberta considers that the granting of necessary concessions to western borrowers from life insurance companies would not, for the reasons above stated, imperil the security of policy holders or their dependents. Furthermore, this argument works both ways, in as much as there are widows and orphans who are indebted to these companies under mortgages or agreements for sale and who are just as much entitled to consideration as policy holders. These same widows and orphans are often left in a precarious financial position by reason of the fact that in his lifetime the deceased was prevented from building up an estate of any kind because he had to pay an excessive rate of interest to life insurance companies and other creditors.

The Government of Alberta believes that life insurance companies have misrepresented their position to the public generally. Do they expect the people of Canada to believe that policy holders should thrive at the expense of our impoverished farmers and city dwellers by taking from them their entire surplus income for interest charges, by evicting them from their homes for non-payment of exorbitant interest, by depriving them of the necessities of life and education for their children, and by relegating them to a status removed from serfdom only by name? These very companies which claim that reducing their interest rates to less than 6 or 7 per cent per annum will be ruinous, are buying Dominion Government bonds yielding from 2 to 3 per cent per annum. The Government of Alberta is quite convinced that policy holders generally are far from being such merciless individuals as to associate themselves with the attitude of these companies.

Mention might also be made of the policy of trust, loan and life insurance companies relating to lands foreclosed by them.

There are many cases in Alberta where the interests of purchasers or mortgagors have been extinguished by legal proceedings and where immediately thereafter, the lands so foreclosed were offered for sale by the mortgagee or vendor at a price less than the amount of its entire claim and costs. The mortgagee or vendor realized that the land in question was not worth the total amount of its claim and costs, and could not hope to find a buyer at such a figure, but nevertheless, it has often refused to allow the same concession to the original purchaser or mortgagor. This practice is so unfair as to warrant Government intervention.

Information is not available as to the investments of banks in Alberta. The true extent of banks' secured claims on property is, as a matter of policy, kept secret. It would appear, however, that banks as a rule charge a higher rate of interest in western Canada than in eastern Canada and due to the system of renewing notes monthly or several times a year, a borrower, agreeing to pay interest at the rate of 7 per cent per annum, would find that by the end of the year he had actually paid a much higher rate. The situation in regard to banking generally is dealt with elsewhere in this Brief.

Lending institutions have been slow to recognize the serious state of affairs in western Canada and they are largely to blame for the enactment of unusual debt legislation in the west. The problem of debt and interest charges was discussed at meetings of the Agricultural Committee of the Legislature of Alberta from time to time, but the lending institutions did not come forward with any concrete suggestion which would improve the situation. As late as 1936, when The Reduction and Settlement of Debts Act was introduced into the Legislature, a representative of the Mortgage Loans Association informed the Committee that he did not have a definite proposition to make. Generally speaking, the theme song of representatives of lending companies was, on every occasion, that "the sanctity of a contract must be preserved". They did say that they would be glad to treat each individual case on its merits and make concessions if they thought it advisable, but from a practical standpoint, their ideas of concessions do not meet the situation. The offer of these companies to make a settlement with Alberta debtors along the lines of the Saskatchewan debt settlement does not begin to solve the debt problem.

The Government of Alberta is of the opinion that the financial status of lending institutions and their treatment of borrowers should be carefully analyzed. Debtors' affairs are subject to the closest scrutiny and it is contended that the affairs of lending corporations should also be exposed to the light of publicity. An analysis of this kind will prove the contention of the

Government of Alberta that debtors should receive far better treatment than they have received up to date in the matter of interest write-offs and reductions.

A close examination of the Brief submitted by the Dominion Mortgage and Investments Association to the Royal Commission on Dominion-Provincial Relations reveals that the lending institutions, according to their own statements, are unwilling or unable to provide future credit for western Canada at a price that can be paid by the borrower and/or to voluntarily reduce drastically the weight of debt that has accumulated over the depression years in the west and/or to reduce future interest charges on present indebtedness to a rate of not over 3 per cent per annum. This proves the contention of the Government of Alberta that private money-lending institutions have lost their usefulness in financing primary producers and those indirectly dependent upon agriculture. It is, therefore, incumbent upon the Government of Canada to take the matter in hand and to find a solution forthwith. Up to date that Government has contented itself with a negative policy of disallowing Alberta debt legislation.

SASKATCHEWAN DEBT SETTLEMENT

It is significant that the debt settlement arranged in Saskatchewan in 1936 was not effected until after the passing of The Reduction and Settlement of Debts Act in Alberta. The Government of Alberta is quite convinced that the settlement arranged with Saskatchewan is not at all satisfactory as it still leaves farmers with far too heavy a burden to carry. As to its effect on lending institutions, reference is made to an article in *The Financial Post*, of Toronto, in its issue of October 10th, 1936:

"RESERVES PROTECT MORTGAGE COMPANIES

"Large Companies Will Not Be Seriously Affected by Saskatchewan Debt Settlement—Unpaid Interest Not Charged

"Rumors to the effect that several large mortgage companies are threatened with insolvency as a result of the Saskatchewan voluntary debt adjustment scheme, are entirely unfounded, *The Financial Post* is informed.

"While the amount of unpaid interest wiped out by the lending institutions, such as loan, life insurance and trust companies, is substantial, few will be seriously affected. In most cases the companies have large reserves which will be more than sufficient to take care of losses. In addition a large number of companies have followed the practice in recent years of not charging in their books a considerable portion of interest that is due and unpaid, which in effect amounts to setting up a hidden reserve. In other cases a specific reserve has been set up against unpaid interest.

"Most in Relief Taxes

"Press despatches with regard to the schemes have led to a misconception as to the total amount being written off by the lending institutions. While the total reduction in debt under the scheme is estimated at 75 million dollars, *The Financial Post* is informed by a reliable source that about 60 million dollars of the write-off consists of relief loans, seed grain loans and taxes owing to federal, provincial and municipal governments. Thus the maximum amount being conceded by the lending institutions is 15 million dollars, and this, it is stated, is a liberal figure.

"It is impossible to arrive at any definite estimate as to the amount which will have to be written off by individual companies. While figures are available showing the amount of mortgages held by the various companies at December 31, 1934, in both Saskatchewan and Alberta, no division is made as between urban and farm mortgages. The Saskatchewan scheme applies to farm mortgages only and in addition affects farm mortgages differently, according to the location of the farm.

". . . While the Saskatchewan scheme provides for wiping out of some unpaid interest and for a reduction in interest on outstanding mortgages to 6 per cent, *the plan is expected to improve the position of the lending companies. As a result of the wiping out of prior liens held by the Government and the easing of the burden of unpaid interest on the mortgagor the position of the mortgages will be materially improved.* Furthermore, it is expected that collections will improve so that it will not be necessary to set aside as large a reserve in the future against unpaid interest."

Particular attention is drawn to the fact that the position of the lending institutions was improved by the completion of the Saskatchewan debt settlement scheme.

Regarding the write-off of government relief and seed grain loans and taxes in Saskatchewan, it will be noted in another part of Alberta's Brief (Chapter V) that the Province of Alberta, for many years, has been writing off advances of this nature in the dry areas and that the total loss up to date is around 20 million dollars with more in prospect.

Furthermore, many adjustments have been made in Alberta through the Debt Adjustment Board and, although statistics are not available, it is estimated that this Board has succeeded directly in having private debts reduced to the extent of approximately 20 million dollars. Further large reductions have been made by adjustments between creditor and debtor without reference to the Board, but it is quite evident that these settlements would not have been arranged if debt legislation had not existed.

DEBT LEGISLATION IN ALBERTA

The heavy debt structure of the growing economy and the difficulties met by debtors in fulfilling their commitments at

certain periods, because of the great variability of income and other disabilities suffered by reason of Dominion policies, have necessitated considerable debt legislation in Alberta. This legislation was also necessary owing to creditors insisting that debtors recognize the sanctity of contract and pay principal and interest in full. It is submitted that debt legislation is justified under the circumstances, particularly in view of the fact that the Government of Canada has failed to solve the problem as other central governments have done. Undoubtedly a contract between two parties cannot be maintained if it continues to impose an impossible burden on one of the parties.

A discussion of the sanctity of a contract would not be complete without consideration of the impossibility of its performance. Many times in the world's history, nations have been forced to default in payment of their debts and many have repudiated or compromised their debts. It must be remembered that Great Britain, when she advised the United States of America that she could not continue to pay her war debt according to the letter of the bond, set forth good and basically sound reasons for her decision. Great Britain had solemnly entered into a covenant to pay a certain sum of money, together with interest, at a stipulated rate and according to the theory of the sanctity of a contract, this amount should be paid. From a moral standpoint, however, Great Britain contends that in spite of the covenant other considerations must be taken into account. This is on all fours with the case of the western farmer who entered into a solemn contract to pay a certain sum of money, together with interest, and yet finds himself unable to do so. Should he not be entitled to the same consideration as Great Britain, or is he to be singled out and put in a class by himself and told that he must deliver his pound of flesh whether anyone else does or not? Any repudiation on the part of the Province of Alberta to date is a repudiation not so much of an obligation, as of a hopeless and illogical financial system.

Another instance of default or repudiation may be found in the Province of Ontario, probably the wealthiest province in the Dominion of Canada. It is well known that more municipalities in Ontario have defaulted in payment of their bonds than in any other province in the Dominion. True it is that they signed "sacred" contracts but, nevertheless, they could not pay the amount stipulated. Settlements are being gradually worked out under which creditors have been obliged to reduce their claims.

It is also a fact that the Province of Ontario repudiated certain power contracts for various reasons and that debt legislation is in force in provinces other than Alberta.

Attention is drawn to the following quotation from a book on "Monetary Reform", by J. Maynard Keynes, 1930, Chapter II, page 74, reading as follows:

> "Nothing can preserve the integrity of contract between individuals, except a discretionary authority in the State to revise what has become intolerable. The powers of uninterrupted usury are too great. If the accretions of vested interest were to grow without mitigation for many generations, half the population would be no better than slaves to the other half.
>
> "Nor can the fact that in time of war it is easier for the State to borrow than to tax, be allowed permanently to enslave the tax payer to the bondholder. Those who insist that in these matters the State is in exactly the same position as the individual, will, if they have their way, render impossible the continuance of an individualist society, which depends for its existence on moderation.
>
> "The conclusions might be deemed obvious if experience did not show that many conservative bankers regard it as more consonant with their cloth, and also an economizing thought to shift public discussion of financial topics off the logical on to an alleged "moral" plane, which means a realm of thought where vested interest can be triumphant over the common good without further debate. But it makes them untrustworthy guides in a perilous age of transition.
>
> "The State must never neglect the importance of so acting in ordinary matters as to promote certainty and security in business. But when great decisions are to be made, the State is a sovereign body of which the purpose is to promote the greatest good of the whole. When, therefore, we enter the realm of State action, everything is to be considered and weighed on its merits. Changes in Death Duties, Income Tax, Land Tenure, Licensing, Game Laws, Church Disestablishment, Feudal Rights, Slavery, and so on through all the ages, have received the same denunciations from the absolutists of contract—who are the real parents of Revolution."

The action of the Dominion Government in permitting alteration of debt contracts under The Farmers' Creditors Arrangement Act establishes beyond any possibility of doubt that the right of governments to intervene to deal with an intolerable debt situation is now constitutionally recognized in Canada.

A short historical review of debt legislation in Alberta, up to the end of the year 1936, follows, and this indicates progressive and determined efforts to ensure equitable adjustment and treatment for the debtor class. The growing seriousness of the problem in recent years is demonstrated by the extension of the legislation.

In the early days the debt problem generally was not as serious as at present and the legislation was simple. The Exemptions Act, an Ordinance passed in 1898, provided for exemp-

tion of certain property of an execution debtor from seizure under all writs of execution. The exemptions were essentially a homestead of not over 160 acres or house actually occupied up to a value of $3,000, a specified minimum of productive equipment, certain personal possessions, and food for a limited time. The intent was evidently that the resident should not be deprived entirely of his means of livelihood. Amendments have been added in recent years to include recently developed types of productive equipment, such as a tractor and a motor car which has been in use at least a year and not exceeding $400 in value. In 1935 it was provided that a mortgagor, under a chattel mortgage executed after the passing of the Act, could claim as exempt any chattels which would be exempt under The Exemptions Act, even though such chattels were included in the mortgage.

The Extra Judicial Seizures Act was passed in 1914, and provided that all extra judicial seizures must be made by a sheriff or person authorized by him, and that no sale after seizure under process issued out of any court of record in the Province or after any other seizure or distress should be held except upon an order of a judge. The Act placed all seizures and sales under the supervision of the court and court officials. It eliminated certain previous abuses where individuals were able to make seizures and conduct sales without supervision often at great inconvenience and loss to the debtors. Amendments in 1923, 1929, 1930 and 1931, clarified the Act and provided the debtor with ample time and opportunity to present his case to the court.

The war resulted in two Acts, The War Relief Act of 1918, and The Soldiers' Relief Act of 1916 and 1918, which were designed to provide extension of time for soldiers to meet their obligations.

The years 1921 and 1922 were especially difficult ones for a considerable section of the Province. The Government undertook to protect the farmers in the southern portion of the Province, where there had been such a succession of crop failures that many farms were being abandoned. An Act known as The Drought Area Relief Act provided that those located in the designated dry area should be permitted to retain, out of the 1922 crop, sufficient proceeds or portion of the crop to enable them to maintain themselves and their families and to continue farming operations until the harvest of 1923. The Act empowered the Government to establish the area and appoint a commissioner to administer. The commissioner had power to file in court a certificate which stayed all legal process until the certificates were set aside by the court.

The Drought Area Relief Act was replaced in 1923 by The Debt Adjustment Act, 1923, which was designed to continue

relief to the drought-stricken farmers by keeping them on the land with their property intact so that they would eventually have an opportunity to pay their debts. Resident farmers in the main portion of southern and east-central Alberta could apply to the Debt Adjustment Board created by the Act for a certificate which, if granted, prevented the creditors from taking or continuing any proceedings against the debtor's property. The onus was on the debtor. The creditor could, however, apply to a district court judge for leave to proceed, and the judge had full discretionary power to dispose of the application. The director of the Board had power to cancel a certificate and make directions to the resident as to the disposition of his property or any part of it.

The difficulties which had developed by 1930 lead to further extension of the Act and in 1931 it was broadened to include actual residents who were personally engaged in farming anywhere in the Province, and in 1932, to persons who had retired from farm operations and had either leased or sold their property under agreement for sale or transferred it and taken a mortgage on which payments were due, and to certain related persons.

In 1933, it was deemed necessary to protect resident home owners and merchants as well as resident farmers. Amendments were added in which the onus was placed on a creditor to apply for a permit to take proceedings for any debt, the whole of the original consideration for which arose prior to July 1st, 1932, against resident farmers or resident home owners and, until a permit was issued, proceedings could not be taken or continued.

In 1936, the Act was again revised. This revision made the Act apply to all debts, the original consideration for which arose prior to July 1st, 1932. No appeals were allowed from the decisions of the Debt Adjustment Board. Power was also taken to declare a moratorium. The 1937 Debt Adjustment Act enlarged the debtor group to include all "resident debtors."

In 1936, believing that some positive step should be taken to reduce the accumulation of arrears of interest, The Reduction and Settlement of Debts Act was passed, providing that no interest which had accumulated since July 1st, 1932, could be collected; that interest rates on other debts should not exceed 5 per cent, and also providing for retirement of principal in annual instalments. This Act was declared ultra vires by the Alberta Courts. Thereupon the Government in 1937 passed The Postponement of Debts Act. This enabled the Lieutenant Governor in Council to declare a moratorium at any time or for any period. Under this Act a moratorium was brought into effect with respect to certain debts as described in the Order in Council.

Relief was also afforded with respect to arrears of taxes. The Local Tax Arrears Consolidation Act (1931) and subsequent enactments of a similar nature provide for the consolidation of arrears of taxes over a five-year period and also give the various municipal units the right to enter into consolidation agreements with the owners of land with respect to such arrears. The Tax Recovery Acts of the Province have been developed along lines to protect as far as possible the owners of lands against forfeiture and loss by reason of inability to pay taxes.

The Government of Alberta believes that it is of the utmost national importance to settle on an equitable basis the debt question in western Canada and that, failing action on the part of creditors or on the part of the Dominion Government, other available means must be taken.

PRIVATE DEBT AND FEDERAL ACTION

As a result of representations made by several of the provinces, the Dominion Government in 1934 took action along two lines by passing The Farmers' Creditors Arrangement Act and by amending The Canadian Farm Loan Board Act.

The Farmers' Creditors Arrangement Act empowered the Dominion to constitute Boards of Review in the several provinces and to give these Boards authority to reduce debts both as to principal and interest. A Board was formed in due course and has since functioned in this Province. It has heard a large number of applications and has substantially reduced the indebtedness of the various applicants but unfortunately, although a step in the right direction, the Act has utterly failed to solve the private debt problem in Alberta. In the practical application of the Act, a number of serious weaknesses have developed as follows:

1. One Board of Review has been quite unable to cope with the number of applications presented with the result that often over a year elapses from the time an application is filed until it is heard by the Board.

2. The Board of Review has no power to re-open and amend a proposal formerly dealt with by it. Proposals formulated, particularly during the first year and a half, were in the main unsatisfactory owing to continued crop failures and to the fact that secured creditors' claims were not reduced sufficiently.

3. The Act does not apply to personal representatives of deceased farmers. This has created a severe hardship on surviving widows and children. Obviously a farmer's estate, regardless of the date of his death, should be entitled to just as much if not more consideration than the farmer himself.

4. The Board cannot deal with creditors' claims in cases where no privity of contract exists between the farmer and such creditor.

5. The Board of Review, particularly during the first eighteen months of its operation, was inclined to favour first mortgages unduly on the assumption that the principal of a first mortgage should not be reduced and that the interest rate on a first mortgage should not be reduced below 7 per cent per annum. On the other hand, unsecured creditors' claims were dealt with drastically, deductions running anywhere from 25 to 75 per cent of the principal with no interest allowed. The net result was that a loan company with ample reserve funds would contribute very little towards easing up a farmer's burden, whereas a country merchant in dire financial straits would contribute a very substantial portion of his claim based mainly on necessaries of life supplied. Even proposals formulated within the last year or so seem to be based on a wrong conception of the amount which a farmer should pay by way of interest on secured claims. Not enough consideration is given to all the circumstances surrounding the debt situation, the financial status of the creditor, the amount paid by debtors in the past by way of interest and the amount they require in the future to repair and maintain their farms and equipment and maintain a decent standard of living.

6. The Act does not provide relief for urban debtors. The incomes of people residing in cities, towns and villages in Alberta depend to a large extent on agricultural revenue in the Province and have, therefore, dropped during the depression.

The conclusion is irresistible that the Dominion Government's set policy is to protect first mortgagees, particularly lending corporations, at the expense of debtors and other creditors.

The operation of the Canadian Farm Loan Board Act has also proved unsatisfactory. The amendment to this Act increased the amount which might be loaned to any applicant to 50 per cent of the appraised value of the land and 20 per cent of the permanent improvements thereon with a limit of $7,500 for any one loan. Provision was also made for a supplementary loan by way of second mortgage and a charge on live stock and other personal property to an extent not exceeding one-half the amount of the first mortgage. The total amount of both loans shall not exceed two-thirds of the appraised value of the land and buildings. It was no doubt intended that this Act should operate in conjunction with the Farmers' Creditors Arrangement Act so that after an adjustment was made under the latter Act a loan might be obtained under the former Act to liquidate the indebtedness as adjusted.

It must be stated quite frankly, however, that the amendments to The Canadian Farm Loan Board Act have not worked out in practice to accomplish this purpose. In the effort to avoid any possible loss in the operation of this Act, it is felt that in practice, loans have been restricted to too small a percentage of the appraised value; loans are not made at all in many areas of the Province and there are too many restrictions with respect to the approval of an application. For example, loans will not be made unless the applicant is actually residing on the land; administrators and executors cannot make application; and a loan will not be made unless the proceeds thereof satisfy and discharge all outstanding debt against the applicant. This last restriction has especially operated to prevent many deserving applicants from obtaining loans. Furthermore, the rate of interest charged by the Canadian Farm Loan Board is still too high. It should not be, in any event, more than 3 per cent per annum, amortized over a long period.

In recent years much consideration has been given to provision of flexibility in farm mortgages. The ordinary mortgage has proven an unstable instrument for financing the land purchases and operations of the Prairie farmer. The requirement of high fixed interest payments and amortization payments has levied a fixed annual charge against the farmer. A fluctuating income, such as that experienced in the past and likely to continue in the future in Alberta, has produced periods in which these contractual obligations could not be met. There has followed loss of farms, hardships to owners, accumulations of unpaid interest and, at times, an inability to pay taxes which has embarrassed the Provincial Governments. It is suggested that some plan might be worked out providing for the readjustment of debts commensurate with the farmer's ability to pay. The Government of Alberta suggests that this method be studied with a view to ascertaining whether or not such a scheme could be put into practice in the operations of the Canadian Farm Loan Board. As long ago as 2250 B.C., it will be found that the Kingdom of Babylon had a law to the effect that if a farmer suffered a crop failure in any year he was not obliged to pay interest to his creditors for that year and could alter his contract accordingly.

From the standpoint of the welfare of Canada as a whole, consideration should be given immediately by the Government of Canada to the enlargement of the credit facilities provided by the Canadian Farm Loan Board, to a reduction in the interest rate charged by the Board and to drastic changes in The Farmers' Creditors Arrangement Act and its administration, by Boards of Review. It is well recognized that lending institutions in the past have performed a useful function in the light of the economic

system that existed at the time, but conditions have changed and the financial needs of agriculture in western Canada cannot now be provided by lending corporations.

Provision for further agricultural credit and the readjustment of debts commensurate with the farmer's ability to pay, at the same time permitting him to live like a human being by providing for necessary goods and services, would do much to solve the private debt problem of western Canada and allay much of the anxiety and discontent prevailing at the present time. Any scheme of reconstruction and debt settlement should also include urban dwellers. If this were done, the morale of all our citizens would be greatly improved; business would be stimulated from coast to coast and Confederation would be strengthened. The Government of Alberta suggests that business men should take an active interest in our debt problem and should press for an early and effective solution. In as much as the Government of Canada has, up to the present time, failed to face this issue squarely, the Government of Alberta has been compelled to use every means within its power to relieve debt-ridden Alberta citizens.

The fundamental principles governing the question of private debt will be dealt with in Part II of this brief.

CHAPTER VII.

SECTION I

Freight Rates as They Affect Alberta (1)

The people of Alberta suffer the highest freight charges on goods exported from the provinces, and pay the highest rate on incoming goods. Thus Alberta stands at the very apex of the freight rate structure. Nearly all of the Saskatchewan grain moves east by rail. Alberta grain moves chiefly west, but may move east or west depending on the market price of wheat, storage charges, and ocean freight rates. The dividing line between east and west movements runs generally north and south about 150 miles east of Calgary and Edmonton; if ocean freight rates drop the line may move farther east 25 or 50 miles. Thus it is not possible to fix precisely the breaking line between east and west shipments. From this it is clear that Alberta grain will yield its producers the lowest net value of any of the provinces. This disability, while in part due to geographical location, is mainly the result of lack of co-ordination in the freight rate structure.

The present freight rate structure was designed when traffic was much less and population more sparse than is now the case. The cost of moving freight depends partly on the volume of business available. With an increase in traffic, ton-mile costs drop and freight rates should drop. For the prairie provinces traffic has increased but rates have not dropped commensurately. Yet it is widely recognized that the railroad earnings in the west are crucial. An examination of the annual reports of the Canadian Pacific Railway reveals a close correlation between the volume of western traffic and the earnings of the system. Sir Edward Beatty has reported that 60 per cent of the earnings come from the western provinces. The annual reports persistently have attributed the gains and losses of both gross and net revenues to the rise and fall of crop conditions.(2)

The disadvantages existing in the Province of Alberta in regard to the Canadian freight rate structure may be listed under six general headings, as follows:

1. Generally lower scales eastern Canadian rates under western Canadian rates as per Exhibits I to VI (inclusive).

(1) This chapter is the work of Alfred Chard, Freight Rate Supervisor for the Government of Alberta.

(2) See, for example, reports of 1922, p. 6; 1925, p. 6; 1935, pp. 6–7; and 1936, p. 6.

2. Examples of rates on some basic commodities produced and consumed in Alberta, compared with rates on the same commodities in eastern Canada as per Exhibits VII to XII.

3. Unfavourable position of distributor and consumer in Alberta as a result of the water compelled lower trans-continental rate basis from eastern Canada to coast points as compared with Alberta points as per Exhibits XIII, XIV and XV.

4. Unfavourable position of Alberta relatively as a result of the rate structure between eastern Canada and Alberta, breaking at the head of the lakes, and of the unfavourable effect of the rate structure applying between the head of the lakes and Alberta points, caused by the constructive mileage introduced between Fort William and Winnipeg as per Exhibits XVI, XVII, XVIII, XIX, XX, XXI and XXII.

5. Unfavourable position of Alberta relatively compared with other western provinces as a result of the higher mountain scale of rates in effect over the prairie scale as per Exhibits XXIII and XXIV.

6. The grain rate structure compared eastern Canada with western Canada and particularly as it detracts from Alberta's geographical advantage of using the province of British Columbia as a consuming market as per Exhibits XXV, XXVI, XXVII and XXVIII.

SUBJECT 1.—*Generally lower scales eastern Canada rates under western Canadian rates as per Exhibits I to VI.*

The bases for freight rates structures are standard mileage rates. From these bases the various commodity rates are struck under which the majority of the traffic moves. In Canada there are four standard freight scales, one east of Sault Ste Marie and Windsor, Ontario; one from Sudbury to Fort William, one in the prairie provinces, and the fourth in British Columbia.

The rates in the prairie provinces are persistently higher than in the eastern district. Exhibit I shows the standard mileage first class rate for different mileage groups in eastern and western districts as well as the first class rates on which much of the traffic moves. This indicates that the actual first class rate in the east is 58 cents per 100 pounds for 100 miles and 65 cents in the prairies. For 500 miles the respective rates are $1.08 and $1.62, the prairie rate being 50 per cent higher than the eastern rate. (1) It also indicates that not only are the basic rates less, but the actual reduction and the percentage reduction is almost double in the east to that of the west.

(1) The second column shows the standard rate from which reductions have been made as shown in column 3.

Exhibit II reveals that for the first five classes of commodities the eastern rates are generally lower than the western rates, and this is almost uniformly true, whether for 200 miles or 600 miles. In a few cases, for very short distances, the western is favoured. But the volume of goods in the first five classes moving such short distances is very low.

Exhibit III is a comparison of the rates on eight classes covering the traffic as it moves from distributing centres such as Montreal and Calgary for equal distances. For example, in the east second class goods moving from Montreal to Burketon, about 300 miles, carries a rate of 72 cents, while the same goods moving from Calgary to Seward, the same distance, carries a rate of 96 cents, a difference of 24 cents per 100 lbs. For longer distances the difference in favour of the east runs as high as 50 cents per hundred pounds or more. Yet, owing to topography of the prairie regions, gradients are few and curvature is at a minimum. The physical conditions for train operation are excellent in the west.

Under this heading it is not intended to introduce exhibits showing the various commodity rate differences in eastern and western Canada; some comparisons will be made on a few basic commodities under heading No. 2. Notwithstanding the fact that in the past, it has been argued that the differences in class rate structures in the different territories are not of much moment as most of the basic commodities move on rates more or less reduced from the class rate structures, endless exhibits of commodities' rate comparisons western Canada with eastern Canada could be produced showing the majority of the commodities having a rate advantage in the latter, it is the purpose of this review to stress the very decided advantage that eastern Canada enjoys over western Canada in the class rate structure on a very large percentage of the tonnage that moves under this structure.

For this purpose Exhibit IV, which is a statement introduced by the Canadian Pacific Railway covering the commodities moved in the year 1925, and Exhibits V and VI are produced to exemplify this point.

The average length of haul of commodities is much longer west of Port Arthur than east of Port Arthur, as a comparison of Columns 1 and 3 of Exhibit IV will indicate. For example, in the case of grain, the east haul is 466 miles on the average while in the west it is 645 miles. It is a well recognized principle in rate making, that rates should not rise as rapidly as distance—this is the tapering principle. Terminal and many other overhead charges are the same whether a ton moves 10

miles or 1,000 miles. Thus the longer the haul the lower should the ton-mile rate be. That is, the overhead costs may be spread over a greater distance. Yet frequently we find that the western ton-mile rate is almost as high or higher than in the east. For example, eastern grain moves an average of 466 miles and pays a rate of 60 cents per ton-mile, while western grain moves an average of 645 miles (about 40% more) and yet pays almost the same ton-mile rate. If the usual tapering principle were applied the western rate would be 13.2% lower than it is at present. Similarly, if the normal tapering principle were applied, lumber rates would be 31% lower, and the rate on anthracite coal would be 52% lower, etc. "Other revenue billing" represents 10/17 of all the tonnage moved in 1925 in the east.

The result we find from this particular item is that, while the average haul in the west would normally warrant a 15% lower ton-mile result in the west, the west actually paid on a basis which produced a ton-mile result 26.7% higher than the east.

In 1925 the western lines of the C.P.R. handled substantially the same total tonnage (17,175,530 tons) as the eastern C.P.R. (17,614,194 tons), but it cost the shippers of the west $14,119,373 more for the service than it would have had the rate schedules been the same as indicated in Exhibit V. And as the traffic density on the Canadian National Railway is similar to the Canadian Pacific Railway in the west, on this basis it can be assumed that the freight rate penalty for the west in that year totalled about twenty-eight million dollars more than it would have been had we an equalized freight basis with eastern Canada. It is alleged that western grain rates are low. However true this may be, the fact is that had the same volume moved on eastern schedules, and allowing for greater average length of haul, the saving would have been $2,535,967.

The "Other Revenue Billing", which includes all billing other than the basic commodities listed in Exhibit IV, and which is largely listed under class rates, would have cost the public in the west almost $10,000,000 less on an equalized basis with the east. While the average haul in the west would warrant a 15 per cent lower ton-mile rate, the west actually paid a ton-mile rate of nearly 27 per cent higher. The western ton-mile rate on this class was 1.98 cents on an average haul of 365 miles, as against an eastern rate of 1.51 cents per ton mile for an average haul of 230 miles, or 136 miles shorter.

The most important single factor emerging from this study reveals that western grain rates, with mileage considered, are

higher than eastern grain rates. Most of the foregoing facts are based on the year 1925, since which no important freight rate changes in the east and west have been made. Such data as is available indicates that a study of C.N.R. rates would show the same result.

SUBJECT 2.—*Examples of rates on some basic commodities produced and consumed in Alberta, compared with rates on the same commodities in eastern Canada as per Exhibits VII to XII.*

A study of individual commodities reveals that eastern rates are usually lower than western. Table VII, for example, shows that carload lumber rates from Vancouver to Calgary, a distance of 642 miles, are 50 cents per 100 pounds, while the rates from Mount Laurier to Glencoe in the east, a distance of 643 miles, are 27 cents per 100 pounds, a differential favouring the east by 85 per cent. A study of Exhibit VIII will reveal similar inequities for other western points.

Exhibit VIII reveals the discrimination in favour of the east on local lumber hauls. For example, from Edmonton to Cluny, 245 miles, the rate is 22.5 cents, while the local rate from Mount Laurier to Finch is 17.5 cents, a differential favouring the east by 28.5 per cent. Similar inequities ranging up to 38 per cent are found for longer distances. Furthermore, the minimum carload requirements are nearly always lower in the east.

Exhibit IX shows a comparison of rates on fresh fruits from Okanagan Landing, B.C., to Alberta points, with rates from Hamilton, Ontario, to points of similar distance. From Okanagan Landing to Calgary the rate is $1.04 per 100 pounds, while the rate from Hamilton to Vaudreuil is $.65; yet the distances are about the same. This difference prevails in spite of the fact that the western rates are commodity rates while the eastern rates are class rates.

Exhibit X shows the rates on fresh meats for various hauls. From Toronto to St. John, a distance of 810 miles, the rate is $.555, while the rate from Calgary to Vancouver is $1.10, double the St. John rate; yet the western distance is only 80 per cent of the eastern haul. There are no export rates on fresh meats from the Prairies to Vancouver. This rate from Calgary, about 200 per cent of the rate from Toronto to St. John, constitutes a serious burden on the west. (See Exhibit X)

Exhibit XI is a comparison similar to the foregoing, but on cured meats. Again there are no export rates on this commodity from Alberta to Vancouver, the rate being 321 per cent of that from Toronto to St. John, and yet the western mileage

from Calgary to Vancouver is only 80 per cent of the eastern mileage. Reasonable rates on fresh and cured meats to the Pacific coast would encourage the diversification of agriculture in Alberta and *pari passu* reduce the vulnerability of single crop farming.

Exhibit XII shows a comparison of butter rates from central Ontario points to Montreal and St. John, and from Calgary to Vancouver. A study of the Exhibit reveals that the rate from Calgary to Vancouver is 204 per cent of the rate from London, Ontario, to St. John, although the former movement is only 70 per cent in mileage of the latter. Lower rates would aid diversification of agriculture.

SUBJECT 3.—*Unfavourable position of distributor and consumer in Alberta as a result of the water compelled lower transcontinental rate basis from eastern Canada to coast points as compared with Alberta points as per Exhibits XIII, XIV and XV.*

As in the United States, so in Canada there is a problem seriously perplexing the territory several hundred miles inland from the Pacific coast. Due to water competition, especially via the Panama Canal, through rates to and from the coast cities are much lower than inland rates. This operates as a severe burden on the Alberta consumer and distributor.

Exhibit XIII shows the leading facts in this regard. Ammonia, for example, takes a rate of $2.335 per 100 pounds from Montreal to Calgary and Edmonton, while the rate to Vancouver is $1.25, which means that the Alberta rate is 87 per cent higher than the Vancouver rate, although the latter involves a haul of several hundred miles more. In the case of calcium phosphate the rate to Alberta is $2.345 and to Vancouver $.75, the former being 213 per cent higher. A study of the table reveals other commodities bearing uniformly higher rates when moving to Alberta, the territory closer to the point of origin.

In the United States the transportation grievance of the tier of Rocky Mountain communities from Washington to Arizona was serious for many years. The freight rates from all eastern territory to these localities were from 25 to over 100 per cent higher than to the Pacific coast, although the goods in transit passed their very doors and might be hauled a distance greater by one-fourth. A carload of glassware from Pittsburgh to Spokane, Washington, paid a freight rate of $649.44, while the charge to Seattle, four hundred miles farther west, was only $393.60. A first class commodity (carload) rate from Omaha to Reno, Nevada, was $858.00. If the goods were delivered 154 miles farther west, at Sacramento, passing through Reno *en*

route, the freight bill amounted to but $600.00. If "tin boxes and lard pails, nested," moved in carloads, Seattle got them from "anywhere east" for a commodity rate of 85 cents, as against the regular fourth-class rate to Spokane of $1.90 per hundred pounds.(1)

After the Spokane decision in 1914 there were no class or commodity rates to the Pacific Coast below those to the intermediate towns. The transcontinental rate structure had therefore at last been brought into conformity with the long and short haul clause, and thereby "a long-standing cause of irritation to the intermountain country" was removed.

The decision of the Commission was unwelcome to the Pacific Coast interests, and at the earliest favourable opportunity they resumed the attack. By the middle of 1921 the competition of the water lines had become so great as to cut seriously into the revenues of the transcontinental railroads. Accordingly these roads, with the active support of the Pacific Coast interests, applied to the Commission for permission to establish lower rates to and from the Pacific terminals than were in effect to and from the intermediate points on traffic having origin or destination in the territory east of the Rocky Mountains. In a decision rendered on October 30, 1922, the Commission denied the application, with a few exceptions. Had the law been the same in 1922 as in 1917 the Commission would doubtless have granted its approval, for water competition was then active, as it had not been in 1917. The passage of the Esch-Cummins Act, however, introduced a new situation. This Act, like the Mann-Elkins Act, authorized the Commission to permit the railroads to depart from the long and short haul clause, that is, to make a lower charge to the more distant point than to the nearer point; but unlike the earlier legislation it provided that the Commission should not sanction the establishment of a charge to or from the more distant point that was not "reasonably compensatory." Moreover, the Esch-Cummins Act declared it "to be the policy of Congress to promote, encourage, and develop water transportation, service, and facilities in connection with the commerce of the United States, and to foster and preserve in full vigor both rail and water transportation." The Commission expressed the view that the new provisions were Congress's way of saying that the Commission should adopt a less liberal policy in dealing with departures from the long and short haul rule than it had followed theretofore.

(1) Ripley, Wm. Z., Railroads, Rates and Regulation, pp. 611, 615.

While water competition must be recognized as a factor in the rate structure, it seems reasonable to apply the principle of the Spokane case to the Canadian railroad structure.

Railroad companies, to facilitate rate making, assign every one of the thousands of commodities offered for shipment to one of several classes, or a special commodity rate is assigned to a commodity. The latter is especially true for commodities of a bulky character which cannot bear the higher class rates. However, in this connection a serious abuse has developed which affects adversely the Alberta consumer and distributor. Exhibit XIV shows that canned goods, for example, when moving from Montreal to Alberta points are assigned to fifth class, and the rate is $1.98 per hundred pounds; while if the goods move to Vancouver, a special commodity rate of $1.50 is assigned. This makes the Alberta rate 2.09 cents per ton-mile, and the Vancouver rate 1.04 cents per ton-mile. Thus the Alberta rate is 100 per cent above the Vancouver rate. In the case of barbed wire, an important item in farm costs, the shipments to Alberta go in fifth class and carry the rate of $1.98, while the shipments to Vancouver carry a commodity rate of 75 cents. This means that the ton-mile rate to Edmonton or Calgary is 240 per cent higher than the Vancouver rate. This higher freight on wire costs the Alberta farmer $26.40 more to put a three-strand fence around a quarter-section of land. Similarly baking powder, confectionery, dry goods, hardware, tools, boots, shoes, paints and varnishes carry relatively low commodity rates to Vancouver but must be shipped on class rates to Alberta points.

As previously mentioned, wholesalers and jobbers, as well as the people of Alberta, suffer under this rate structure. Table XV shows the disadvantage of Calgary as a distributing point in an area logically tributary to it. Thus paints and varnishes can be shipped from Montreal to Vancouver and reshipped in less-than-carload lots (L.C.L.) to Vernon, B.C., a distance of 3200 miles, for $2.24 per cwt.; while to ship in carloads to Calgary and L.C.L. to Vernon, a distance of only 2589 miles, costs $2.97½. This is a difference in favour of Vancouver of 73½ cents per cwt.

Flannelette blankets move to Vancouver in a cotton goods car at $1.75 per cwt. The Edmonton rate is $4.53¼ per cwt. This tremendous difference is principally due to the fact that the railways will not include cotton blankets in a cotton goods car to Edmonton. If these blankets could be included in a fourth class cotton car the rate would be $2.33½ and the discrimination

would not be so great. The railways will accept these blankets in a fourth class car if the edges are not whipped. Unfortunately it is not practical to ship them in this shape, as the edges will fray. They cannot be whipped in Edmonton since no equipment is available. A rate structure that will allow a Vancouver wholesale to bring blankets to Vancouver and reship local freight to Holden—a town 60 miles east of Edmonton—for 21½ cents per cwt. less than is charged for shipment direct to Edmonton does not seem reasonable. The rates are $1.75 Montreal to Vancouver plus $2.57 local freight Vancouver to Holden in Alberta, and the Montreal to Edmonton rate is $4.53½. The same discrimination in favour of Vancouver applies in case of other dry goods, hardware, tools, and barbed wire. Other figures are presented in Exhibit XV.

SUBJECT 4.—*Unfavourable position of Alberta relatively as a result of the rate structure between eastern Canada and Alberta breaking at the head of the lakes, and of the unfavourable effect of the rate structure applying between the head of the lakes and Alberta points, caused by the constructive mileage introduced between Fort William and Winnipeg as per Exhibits XVI, XVII, XVIII, XIX, XX, XXI and XXII.*

At the other end of the prairie region Winnipeg is in a favoured position. Although from Port Arthur to Winnipeg is 419 miles, for calculating rates a "constructive mileage" of 290 miles is used. Exhibit XVI shows the first and fifth class rates based on the standard mileage and on the termini formula between the lake termini and certain western points and shows the rates to the prairie points to be higher percentage over Winnipeg than the spread in the standard mileage rates warrants. In some cases Winnipeg distributors can ship L.C.L. beyond Edmonton at a lower rate than the combination of the carload rate from Montreal to Edmonton plus the local rate. Many commodities can be shipped in car lots to Winnipeg (as well as to Vancouver as previously explained) and re-shipped L.C.L. into Edmonton territory at a lower total freight charge than would be the case if shipped direct in cars to Edmonton and distributed from there, as is indicated in Exhibit XVII.

Exhibit XVIII further exemplifies this disadvantage, using three commodities and the ton-mile rate factor. It will be noted that the rate on newsprint to Edmonton where the ton-mile rate should be normally a 30 per cent reduction from the Winnipeg ton-mile rate, actually the reduction is only 3 per cent.

If Edmonton and Calgary are economic distributing points it would seem to be sound public policy to encourage their growth, rather than to encourage long L.C.L. hauls.

Exhibits XIX and XX are proposed compilations based on a new rate structure between the Fort William termini and western points, which would act more equitably with the latter points.

Exhibit XXI is an exemplification of the lower rates that would be provided from Eastern Canada to Alberta points if the through rates got the advantage of the tapering factor in long haul rates.

Exhibit XXII lists some commodity rates from eastern Canadian points to Winnipeg and to Edmonton. It shows that the commodity rates in effect to Winnipeg are a less percentage of the class rates than are the commodity rates to Edmonton of the class rates. It also shows that the commodity rates to Edmonton are a higher percentage of the commodity rates to Winnipeg than are the class rates to Edmonton over the class rates to Winnipeg. In other words, if the commodity rates to Edmonton bore the same percentage increase over the commodity rates to Winnipeg, Edmonton would enjoy lower commodity rates even under the present class structure about which we have complained as being relatively discriminatory. The same situation applies to Calgary and other Alberta points.

DECREASED PURCHASING POWER OF THE WESTERN FARMER'S DOLLAR

The distance from market for the products of the Alberta farmer, considerably reducing the net monetary returns to him, is not the only handicap under which he labours. In turn, he is obliged at the present time to purchase most of the articles of consumption in markets necessitating long transportation hauls, the transportation costs of which are not only excessive in themselves, but are relatively high compared with other parts of Western Canada, as has been previously shown. This feature has the double-barrelled effect of raising the cost of production and further narrowing the net receipts, if any, received for his products.

Undoubtedly, this situation places the western producer under a severe handicap in competition with producers in the central provinces, the most of whose requirements are produced locally. That this handicap, especially as regards certain implements of production, is substantial, can readily be seen by comparing the prices in Ontario and Alberta as listed in the following table. The higher prices for Alberta are almost entirely accounted for by the additional cost of transportation as follows:—

Article	Alberta	Ontario
Low priced Passenger Automobile, Edmonton and Windsor respectively	(x)$1,190.00	$1,021.00
Medium priced Passenger Automobile, Edmonton and Windsor respectively	(x) 1,495.00	1,295.00
Light Delivery Truck, Edmonton and Windsor respectively	975.00	820.00
1½ Ton Truck, Edmonton and Windsor respectively	1,205.00	999.00
2-Ton Truck, Edmonton and Windsor respectively	1,375.00	1,149.00
Electric Ranges—Additions for freight, Edmonton and Toronto respectively—		
Small models	8.50	1.50
Refrigerators—On same basis—		
Small models	7.00	.75
Larger models	11.00	1.00
Largest models	13.00	1.25
All Washing Machines, additional freight in west	5.00	
Agricultural Implements—Prices Calgary and Edmonton and Toronto—		
Binder, 8 ft. with Forecarriage	304.00	256.00
Binder, power	405.50	370.00
Mower, 20 sec. heavy	121.00	108.00
Rake, 30 tooth, 10 ft.	62.00	52.00
Cultivator, 11 Th. 8 ft.	148.00	138.00
Disc, 10 ft. Tractor hitch	171.00	161.00
Disc, 6 ft. one-way for tractor with seeder	349.00	308.50
Disc, 6 ft. one-way for horses with seeder	353.00	274 50
Manure Spreader	202.00	181.00
Cream Separator	97.00	74.50
Disc Plow, horse drawn 3 F.	194.00	174.50
Disc Plow, tractor drawn 4 F.	233.00	180.00
Wagon, 3½x3 service	100.00	85.00
Small Engine, 4x4 pulley	96.50	88.00
Tractor, 16-26 h.p.	1,185.00	1,073 00
Tractor, 26-41 h.p.	1,422.00	1,360.00
Dairy and Creamery equipment, F.O.B. Edmonton and Toronto respectively—		
Churn, power	1,965.00	1,800.00
Pasteurizer	1,168.00	1,075.00
Bottle washing machine	2,730.00	2,600.00

(x) Shown on previous page. These same cars can be bought in Detroit, Michigan, for $730.00, and $998.00 respectively.

SUBJECT 5.—*Unfavourable position of Alberta relatively compared with other western provinces as a result of the higher mountain scale of rates in effect over the prairie scale as per Exhibits XXIII and XXIV.*

The geographical location of Alberta is such that the natural outlet for many of her products is through British Columbia. On the other hand, Alberta consumes quite extensively of British Columbia products. The factor interfering with a potential greater exchange of these products is the so-called mountain differential in the freight rate structure in the Province of British Columbia, and extending on all traffic to and from that Province and the prairies. This mountain basis is constructed by using a rate which, while hauling a commodity one mile in British Columbia, will haul the same commodity 1¼ miles on the prairies. However, the nature of the application of this

feature, which tends to reduce the factor of this higher differential as the distance into the prairies extends, reacts to a greater disadvantage to Alberta, on account of so few of the miles under the prairie basis being added to about 800 miles British Columbia higher basis.

The above facts were vividly disclosed by the Canadian Pacific Railway in a compilation submitted by them to the Board of Railway Commissioners during the freight rate inquiry in 1925 and included in the recorded volume No. 499 of that inquiry. This compilation, after very complete and thorough analysis of the traffic moving to and from British Columbia and the rest of Canada, shows that from 85 to 90 per cent of the excess charges collected on that traffic as a result of the mountain differential was on traffic interchanged between British Columbia and Alberta, and amounting to from three to four hundred thousand dollars in that one year. The witness stated that similar results would be found for any given year for which an analysis might be made.

The same compilation disclosed that Manitoba and Saskatchewan jointly received from 10 to 15 per cent of the traffic as compared with 85 to 90 per cent in Alberta. While no figures were produced by the Canadian National Railway, it is reasonable to assume that the same results would be obtained from a similar survey, so that the statement that it costs Alberta at least half a million dollars a year of normal traffic in excess charges as a result of the imposing of the higher mountain differential scale of rates, is not an exaggerated statement of fact.

Exhibit XXIV shows the comparative cost of moving some of the basic commodities from Alberta to Vancouver and to Winnipeg, and the extent to which these rates would be reduced were the mountain differential removed.

As the Pacific Coast is Alberta's natural port for export and import of many commodities, any advantages that should accrue as a result of this favourable geographical position are nullified by the arbitrary imposition of the higher rate structure referred to.

SUBJECT 6.—*The grain rate structure compared eastern Canada with western Canada and particularly as it detracts from Alberta's geographical advantage of using the Province of British Columbia as a consuming market as per Exhibit XXV, XXVI, XXVII and XXVIII.*

The grain and grain products rates for local shipments in the prairie provinces are as a rule higher than in eastern Canada. Table XXV reveals the leading facts in this respect. For example, for distances of 100 miles the carload rate in eastern

Canada is 7½ cents per 100 pounds, and 15 cents in the prairie provinces. The L.C.L. rate in the east is 22½ cents, and 35 cents in the prairies. Since the Pacific rates are still higher, Alberta shipments to the west suffer. Figures for other distances besides 100 miles are shown in Exhibit XXV. It will be seen that the prairie rates are 100 per cent and more higher than the eastern rates. Can these differentials be justified?

This disability is further emphasized in Exhibit XXVI which shows, for example, that grain moving for domestic consumption from Montreal to St. John bears a rate of 17 cents per 100 pounds, while grain moving to Vancouver over a similar distance would carry a rate of 36½ cents. Thus the western rate is 213 per cent of the eastern rate. The exhibit reveals similar discriminatory rates for other points.

Exhibit XXVII emphasizes the foregoing discrimination by another method. This is a comparison of rates on grain for domestic consumption from Fort William, Ontario, to eastern Canada, with the rates from prairie points to Vancouver. All comparisons are for approximately the same haul. An examination of the table indicates that the rate from Streamstown, in north central Alberta, is 49 cents, while the rate from Fort William to Montreal over the same distance is only 20 cents. Thus the western rate is 145 per cent higher than the eastern rate. Points in Manitoba and Saskatchewan are similarly discriminated against as Exhibit XXVII shows. This discrimination is defended on the ground of Great Lakes water competition. The table shows that there is a blanket rate of 20 cents per 100 pounds from Fort William to practically all points in Ontario and Quebec as far east as Quebec City. The higher British Columbia rates are defended because of higher operating costs in that Province. For the C.P.R. there may be some truth in this, but for the C.N.R. this is scarcely true because the latter's grade in B.C. is virtually the same as in the prairie provinces, with a very short mileage exception.

Western grain rates have been reduced from time to time. There is an incorrect impression that therefore they are the lowest in the world. Exhibit XXVIII is submitted to show that for export purposes eastern Canada itself has a lower rate than western Canada. It will be noted that for a like mileage haul, the rates in the west are from 30 to 78 per cent higher than in the east, and for the haul from Fort William to St. John, as compared with the haul from Dawson Creek, Alberta, to Vancouver, the latter rate is 42 per cent higher, while the length of haul is only 86 per cent of the former distance. Many instances

can be given to show lower rates on grain in eastern Canada than in western Canada, but there is no need for elaboration. Water and truck competition account for the low eastern rates, but the public mind should be disabused of the oft-repeated statements about western Canada's very low grain rates; if competitive conditions force depressed rates in eastern Canada, and other parts of the Dominion are called upon to bear an undue portion of the load, serious disabilities may arise.

The report of the grain trade of Canada for 1935, page 175, shows the rate on grain from the average shipping point in western Canada, to Fort William, to be 13½ cents per bushel. This rate covers such points as Outlook, Sask., about 940 miles from Fort William. This area is approximately the centre of the wheat-producing area of the west, so that the rate would approach the average paid.

To deliver this bushel of wheat from the average shipping point in the west, and place it in the elevators at Port Colborne, Toronto, or Montreal, where it is available to the consumer at those points or for forwarding for consumption at other points in Ontario or Quebec at relatively low truck and water competitive rates, the total cost is as follows, based on Lake freight for the 1936 season:—

	Cost in Cents per bushel
Freight from Prairie point to Ft. William	13.5
Elevation at Ft. William, storage for 15 days, inspection, and reloading into vessel	1.5
Trimming and brokerage	.5
Insurance on Lakes	.075
Elevation at Eastern elevator	.75
Average water rate to Port Colborne	1.75
TOTAL COST IN ELEVATOR PORT COLBORNE	18.075

The same authority estimates the centre of the crop-producing wheat area in Alberta, about 890 miles from Vancouver, from which the rate on grain and flour for local consumption is 46.5 cents per 100 pounds, or 27.9 cents per bushel to the latter point. This difference of 9.8 cents per bushel in the freight charge is reflected in lower grain values on Alberta farms.

The above illustration is not simply a comparison of rate structures in different parts of Canada, but it portrays the cost to the actual consumer under conditions as they exist, taking into consideration the cheapest method of transportation in both directions and is one of Western Canada's many transportation disadvantages.

It is true that the consumer in British Columbia bears the extra cost in this instance; it is also true that the high costs restrict consumption which in turn retards interprovincial exchange of products. If the rate on grain and grain products from Alberta to British Columbia points were substantially lowered, the consumption of Alberta's grain would undoubtedly be accellerated in British Columbia, where the production of cereals is limited, by the establishment of poultry and live stock feeding industries.

To give one rate example, the rate from Calgary or Edmonton to Vancouver on grain and grain products for export is 20 cents per 100 pounds, while the rate on the same movement for domestic consumption is 41½ cents. It was suggested that a rate of 30 cents per 100 pounds for the movement of the latter should be charged from the above points.

During the general freight rate investigation, initiated in 1925, much evidence was given in British Columbia by poultry and live stock men for the necessity of lower transportation costs on the grain from the prairies to British Columbia. The Order--in-council, No. B.C. 886, dated June 5th, 1925, investigation stated "that the policy of equalization of freight rates should be recognized to the fullest possible extent as being the only means of dealing equitably with all parts of Canada and as being the method best calculated to facilitate the interchange of commodities between the various portions of the Dominion." The comparative cost for transportation of grain and grain products to the consumers in eastern Canada with consumers in British Columbia, is a method best calculated to facilitate the interchange of commodities between the various portions of Canada, but unfortunately, it is at the disadvantage of the west.

Not only is British Columbia labouring under the handicap on account of the higher rate schedules, due to the mountain differential, but all the consumers of grain and grain products in the prairie provinces pay 100 per cent more for the transportation of those products for local consumption than does the consumer in eastern Canada pay on that portion of the transportation cost to move those products from prairie points to the head of the lakes. The reason for the above being that statutory Crows' Nest grain rate schedule applies to Fort William and Port Arthur, whether the grain is for export out of the country or for consumption there or in eastern Canada, while the movements locally in western Canada are on a schedule double the former basis. It is suggested a substantial reduction in the rates on grain and grain products from Alberta producing points to

British Columbia would do much to facilitate the interchange of commodities between the two provinces, giving each an increased purchasing power for the products of the other. These two provinces geographically are ideally situated side by side, each producing entirely different products which are required by the other, but handicapped by a transportation cost between them which is relatively unfair to a federation of provinces.

To summarize briefly, Alberta, along with other western provinces, carries relatively a very large proportion of Canadian transportation cost, and in addition Alberta gets the shock both from the east and from the west. The old reasons advanced by the Board of Railway Commissioners of higher cost of construction and operation for perpetuating this condition have been challenged on numerous occasions. However, if Canada is to succeed as a nation, restraints of trade between the different portions must be removed so that the products of the various parts may be freely interchanged, and if in the process the situation of the railways is too adversely affected, then the situation should be so dealt with that the burden shall be carried nationally and not disproportionately by various sections.

EXHIBIT I.

COMPARISON OF EASTERN AND PRAIRIE RATES ON FIRST CLASS TRAFFIC.(1)

District	Miles	Standard Mileage 1st Class Rate	Actual First Class Rate	Reduction in cents per 100 Lbs.	Percentage Reduction
Eastern	50	$ .43	$ .40	3	6.9%
Prairie	50	.45	.42	3	6.6
Eastern	100	.65	.58	7	10.4
Prairie	100	.69	.65	4	5.8
Eastern	200	.83	.68	15	18.0
Prairie	200	1.02	.95	7	6.8
Eastern	300	1.08	.83	25	23.1
Prairie	300	1.31	1.16	15	11.4
Eastern	400	1.25½	.94	31½	25.9
Prairie	400	1.58	1.37	21	13.9
Eastern	500	1.44	1.08	36	25.0
Prairie	500	1.83	1.62	21	11.4

(1) Tariffs effective May, 1937:
C.P.R. E.3100, C.P.R. E.2879, C.P.R. W 1, C.P.R. W.5771.
C.R.C. E.3416, C.R.C. E.3220, C.R.C. W.2871, C.R.R. W.2848.

This statement shows that not only is the basic standard mileage rate lower in eastern Canada than western Canada, but that also the reduction from the standard rates is greater in the east than on the prairies, to arrive at the class rates on which the traffic moves

EXHIBIT II.

FIRST FIVE CLASSES OF EASTERN AND PRAIRIE STANDARD MILEAGE RATES.(1)

District	Miles	Class Rates in Cents Per 100 lbs.					Average Per Cent Difference
Prairie	50	45	38	30	23	21	
Eastern	50	43	37½	32	27½	22	
Difference		2	½	-2	-4½	-1	3.1% (2)
Prairie	100	69	57	47	35	32	
Eastern	100	65	58	49	41½	32	
Difference		4	-1	-2	-6½		2.3(2)
Prairie	200	102	86	69	51	47	
Eastern	200	83	72	63	52½	41½	
Difference		19	14	6	-1½	5½	13.7
Prairie	300	131	108	87	65	59	
Eastern	300	108	95½	81½	68	54	
Difference		23	12½	5½	-3	5	10.5
Prairie	400	158	132	107	81	72	
Eastern	400	125½	109½	95½	79	63	
Difference		32½	22½	11½	2	9	16.4
Prairie	500	183	152	122	92	83	
Eastern	500	144	125½	108	90	72	
Difference		39	26½	14	2	11	17.1
Prairie	600	207	173	138	104	93	
Eastern	600	162	142½	122	100½	81½	
Difference		45	30½	16	3½	11½	17.6

(1) Tariffs: C.P.R. W.1, E.3718; C.R.C. W.2871, E.3904. Eastern Scale applies between Sault Ste. Marie, Windsor, Ont., and east. A higher basis applies west of Sudbury to Fort William.

(2) In favour of west.

EXHIBIT III.

COMPARISON OF DISTRIBUTING CLASS RATES IN EAST AND PRAIRIE PROVINCES.(1)

From	To	Miles	Average Percentage Difference First Five Classes.	Rates in Cents Per 100 lbs. Classes.							
Montreal	St. Annes	25.6		25	22	19½	16½	12½	11½	11½	9½
Calgary	Dalmead	24		27	23	18	15	14	11	11	8
Difference			1.5% (2)	2	1	1½	1½	1½	½	½	1½
Montreal	St. Telesphone	48.9		40	24½	30½	25	19½	18	14½	12½
Calgary	Gleichen	51.4		42	36	29	21	21	17	14	11
Difference				2	1½	1½	4	1½	1	½	1½
Montreal	Inkerman	101.1		58	50	43	36½	29	25	22	18
Calgary	Brooks	100.7		65	56	44	33	30	26	20	17
Difference			5.3	7	6	1	2½	1	1	2	1
Montreal	Haleys	199.3		68	59½	52½	43	34½	30½	27½	24
Calgary	Walsh	200.3		95	80	63	47	42	35	27	21
Difference			27.2	27	20½	10½	4	7½	4½	½	3
Montreal	Burketon	297.4		83	72	63	52½	41½	37½	30½	27½
Calgary	Seward	299.9		116	96	77	57	51	42	32	26
Difference			22.9	33	24	12	4½	9½	4½	1½	1½
Montreal	Dumfries	402.7		94	83	70½	59½	47	43	36½	32
Calgary	Mortlach	399.7		137	114	90	69	62	51	38	30
Difference			33.3	43	31	19½	9½	15	8	1½	2
Montreal	Thamesville	503.9		108	95½	81½	68	54	50	37½	36½
Calgary	Qu'Appelle	500.1		162	135	108	81	74	62	44	36
Difference			37.5	54	39½	26½	13	20	12	6½	½

(1) Rates in effect May, 1937: C.P.R.: E.3100, E.2879, W.100, W.5771. C.R.C.: E.3416, E.3220, W.2937, W.2848.
(2) In favour of the east.

EXHIBIT IV.

COMPARISON OF EASTERN AND WESTERN TON-MILE RATES IN 1925.(1)

Commodity	Lines East of Port Arthur. Average Haul Miles.	Lines East of Port Arthur. Rate per Ton-Mile.	Lines West of Port Arthur. Average Haul Miles.	Lines West of Port Arthur. Rate per Ton-Mile.	Excessive Charge in Western Provinces.(2)
		cents.		cents.	%
Grain	466.4	.60	645.0	.57	13.2
Flour and other mill products	425.2	.62	442.3	.45	equal
Hay	94.9	2.90	103.2	2.68	3.5
Lumber and square timber	276.1	.96	788.1	.78	31.1
Wood (fuel)	70.7	1.64	103.1	1.00	12.5
Anthracite coal	70.3	1.32	308.6	.83	51.6
Bituminous coal	108.0	.97	279.1	.85	36.6
Ores	79.7	1.16	160.4	1.02	30.0
Live stock	333.0	1.58	335.2	1.65	equal
Dressed meats	525.0	2.14	519.6	2.20	equal
Cotton (raw)	496.3	.75	436.9	1.18	5.3
Other Revenue Billing	229.9	1.51	364.8	1.98	15
Grand Total	245.2	1.20	509.4	.86	32.9

(1) Taken from statement filed by C.P.R. in F.H. 99, p. 46, 1926, freight rate investigation for the year 1925.

(2) For example, the grain rate should be $.57 minus 13.2%, or $.495.

EXHIBIT V.

ACTUAL TON-MILE RATES AND REVENUE COMPARED WITH RATES AND REVENUE IF RATES WERE BASED ON MILEAGE.(1)
Lines West of Port Arthur.

Commodity	Actual Rates and Revenues.			Rates and Revenues Based on Reduced Rates.	
	Tons One Mile.	Rate per Ton-Mile	Revenue.	Rate per Ton-Mile.	Revenue.
		cents.		cents.	
Grain	5,113,972,876	.57	$29,169,537	.5208	$26,633,570
Flour and other mill products	419,707,099	.45	1,881,753	.62	2,602,184
Hay	10,392,414	2.68	278,320	2.7985	290,831
Lumber and square timber	997,398,090	.78	7,770,040	.66144	6,602,184
Wood (fuel)	17,035,896	1.00	170,161	1.435	244,465
Coal, anthracite	11,663,555	.83	96,304	.63888	74,516
Coal, bituminous	563,111,789	.85	4,811,943	.61498	3,463,024
Ores	76,571,244	1.02	778,631	.812	621,758
Live stock	137,433,919	1.65	2,264,326	1.58	2,171,455
Dressed meat	17,024,388	2.20	374,282	2.14	364,321
Cotton, raw	2,742,793	1.18	32,307	.78975	21,661
Other revenue billing	1,381,213,827	1.98	27,304,622	1.2835	17,727,879
Grand Total	8,748,267,980	.86	72,392,232	.683	60,812,859

(1) Statement compiled from p. 46 of F.H. 99, filed in 1926 freight rate investigation, which was a statement of C.P.R. ton-mile earnings, lines east and lines west for 1925, showing a comparison of the revenue accruing on western lines and the amount that would have accrued had the ton-mile earnings been on the lower basis warranted by the longer average haul in western Canada. This is arrived at by taking the eastern ton-mile rate, reducing it by the percentage that the longer haul warrants between the two sets of mileage in the standard mileage scale, and applying the resulting ton-mile figure to the western ton-mile.

EXHIBIT VI.

EXPLANATION OF EXHIBIT:

Column "A" represents the normal percentage decrease in the same rate as the mileage increases as per standard mileage tariff rate of progression.

Column "B" represents the actual percentage, higher or lower, the ton-mile rate in Western Canada is of the ton-mile rate in Eastern Canada.

The Exhibit produces the following results:

	Difference in lengths of haul Eastern and Western Canada should make the ton-mile earnings have the following relations Western compared with Eastern Canada		Actual Results
Grain	13.2% lower	5.0% lower	Favour East
Flour and mill products	equal	27.4% lower	Favour West
Hay	3.5% lower	7.5% lower	Favour West
Lumber and square timber	31.1% lower	18.7% lower	Favour East
Wood (fuel)	12.5% lower	39.0% lower	Favour West
Anthracite Coal	51.6% lower	37.1% lower	Favour East
Bituminous Coal	36.6% lower	12.4% lower	Favour East
Ores	30.0% lower	28.0% higher	Favour East
Live stock	equal	4.4% higher	Favour East
Dressed Meats	equal	2.8% higher	Favour East
Cotton, raw	5.3% higher	57.3% higher	Favour East
Other revenue billing	15.0% lower	26.7% higher	Favour East
Grand Total	32.9% lower	28.4% higher	Favour East

The three commodities appearing to enjoy lower rates in Western Canada are flour and mill products, hay and wood, but with the exception of the first, the tonnage is very small. All the other commodities show Western Canada with higher rates. Other revenue billing in Eastern Canada represents 10/17ths of all the tonnage moved in 1925. On this class of traffic, the West produced a ton-mile earning 26.7% higher than the east, while the length of haul in Western Canada warrants a resultant ton-mile rate .15% lower than Eastern Canada. On this particular traffic representing 10/17ths of the total tonnage handled, Eastern Canada's revenue was 35 million dollars while Western Canada produced 27 million dollars on this traffic, which represented only ¼ of total tonnage handled. Similar statements for the years 1921 to 1924 show similar results.

EXHIBIT VII.

CARLOAD LUMBER RATES FROM VANCOUVER TO PRAIRIE POINTS, AND FROM MONT LAURIER, QUEBEC, TO ONTARIO POINTS OF SIMILAR DISTANCES.(1)

From	To	Miles	Rates in Cents per 100 lbs.	Per Cent Difference(2)
Vancouver	Calgary	642	50	
Mont Laurier	Glencoe	643	27	
Difference			23	85.1%
Vancouver	Bassano	720	52½	
Mont Laurier	Windsor	725	30	
Difference			22½	75.0
Vancouver	Edmonton	765	54	
Mont Laurier	Sault Ste. Marie	782	29½	
Difference			24½	83.0
Vancouver	Medicine Hat	818	54	
Mont Laurier	Dalton	818	31½	
Difference			22½	71.4

(1) Tariffs: C.P.R. W.200, E.3590; C.R.C. W.3022, E.2818.
(2) In favour of east.

EXHIBIT VIII.

CARLOAD LUMBER RATES FROM EDMONTON TO PRAIRIE POINTS, AND FROM MONT LAURIER, QUEBEC, TO POINTS OF SIMILAR DISTANCES(1)

From	To	Miles	Rates in Cents per 100 lbs.	Per Cent Difference(2)
Edmonton	Cluny	245	22½	
Mont Laurier	Finch	243	17½	
Difference			5	28.5%
Edmonton	Brooks	295	24	
Mont Laurier	Smith Falls	292	19½	
Difference			4½	23.0
Edmonton	Dunmore	369	27	
Mont Laurier	Kingston	371	22½	
Difference			4½	20.0
Edmonton	Maple Creek	424	30	
Mont Laurier	Peterboro	426	22½	
Difference			7½	33.3
Edmonton	Beverly	500	32½	
Mont Laurier	Toronto	502	23½	
Difference			9	38.3
Edmonton	Parkbeg	585	32½	
Mont Laurier	Woodstock	586	26	
Difference			5½	21.1
Edmonton	Wolseley	723	38½	
Mont Laurier	Windsor	725	30	
Difference			8½	28.3

(1) C.P.R., W.200, W.100, E.3590, E.3100; C.R.C., W.3022, W.2937, W.3818, W.3416.
(2) In favour of east.

EXHIBIT IX.

CARLOAD RATES ON FRESH FRUIT FROM OKANAGAN LANDING, B.C., AND HAMILTON, ONTARIO, FOR SIMILAR DISTANCES.(1)

From	To	Miles	Rates in Cents per 100 lbs.	Percentage That Western Rates Are Greater Than Eastern Rates
Okanagan Landing	Exshaw	301	87	
Hamilton	Finch	300	63	
Difference			24	38%
Okanagan Landing	Calgary	358	104	
Hamilton	Vaudreive	355	65	
Difference			39	60
Okanagan Landing	Red Deer	453	141	
Hamilton	Isbester	453	91½	
Difference			49½	54
Okanagan Landing	Edmonton	552	141	
Hamilton	Grassett(2)	560	122	
Difference			19	15.5

(1) C.P.R.: E.2879, W.22. C.R.C.: E.3220, W.2875, tariffs in effect May, 1937.
(2) Grasset situated in the thinly populated territory west of Sudbury, where the class scale is higher than east of Sudbury.

EXHIBIT X.

RATES PER 100 LBS. ON FRESH MEATS CARLOADS FROM TORONTO AND CALGARY TO MONTREAL AND ST. JOHN FOR EXPORT, AND FROM CALGARY TO VANCOUVER LOCAL.(1)

From	To Montreal		To St. John		To Vancouver	
	Miles	Rate	Miles	Rate	Miles	Rate
Toronto	344	$ .53½	810	$ .55½		
Calgary(2)	2236	1.64	2707	1.66	642	$1.10

(1) C.N.R.: E.55, W.200F. C.F.A.: 104G. C.R.C.: E.18C7, W.924, W.68, tariffs in effect May, 1937.
(2) There are no export rates on fresh meats from the prairies to Vancouver, the rate from Calgary being about 200% of the rate from Toronto to St. John, while the distance to Vancouver is only 80% that from Toronto to St. John.

EXHIBIT XI.

RATES PER 100 LBS. ON CURED MEATS CARLOADS FROM TORONTO AND CALGARY TO MONTREAL AND ST. JOHN FOR EXPORT, AND FROM CALGARY TO VANCOUVER LOCAL.(1)

From	To Montreal		To St. John		To Vancouver	
	Miles	Rate	Miles	Rate	Miles	Rate
Toronto	344	$ .27½	810	$ .31½		
Calgary(2)	2236	1.23	2704	1.25	642	$ .98

(1) C.N.R.: E.55, W.200F. C.F.A.: 104G. C.R.C.: E.1807, W.924, W.68. Tariffs in effect May, 1937.

(2) There are no export rates on cured meats from prairie points to Vancouver, the rate from Calgary to Vancouver being 231% of the rate from Toronto to St. John, while the distance from Calgary to Vancouver is only 80% of the distance from Toronto to St. John.

EXHIBIT XII.

RATES FOR 100 LBS. ON BUTTER CARLOADS FROM TORONTO, LONDON AND CALGARY TO MONTREAL AND ST. JOHN FOR EXPORT, AND FROM CALGARY TO VANCOUVER LOCAL.(1)

From	To Montreal		To St. John		To Vancouver	
	Miles	Rate	Miles	Rate	Miles	Rate
Toronto	344	$ .60	810	$ .66		
London	455	.67	920	.67		
Calgary(2)	2236	2.46	2704	2.49	642	$1.37

(1) C.N.R.: E.55, W.134D. C.F.A.: 104G. C.R.C.: E.1807, W.1080, W.68. Tariffs in effect May, 1937.

(2) There are no export rates on butter for export from the prairies to Vancouver, the rate from Calgary being 204% of the rate from London to St. John, while the distance from Calgary to Vancouver is only 70% of the former movement.

EXHIBIT XIII.

RATES FROM EASTERN CANADA TO CALGARY AND EDMONTON AND TO VANCOUVER.(1)

Commodity	Rate Montreal to Calgary and Edmonton	Rate Montreal to Vancouver	Excess Rate Calgary and Edmonton Over Vancouver	Excess Percentage
Ammonia in iron drums	$2.33½	$1.25	$1.08½	86.8%
Bags and Bagging	1.98	1.50	.48	32
Billiard Tables	3.03½	2.62	.41½	15.7
Brooms, Brushes(2)	4.53½	3.50	1.03½	29.5
Calcium Phosphate	2.34½	.75	1.59½	212.6
Candles and Wax Tapers	1.98	1.50	.48	32
Canned Goods	1.98	1.50	.48	32
Bottle Caps(2)	3.76	3.00	.76	25.3
Carpets(2)	4.53½	3.00	1.53½	51.5
Cocoa and Confectionery(2)	3.76	3.50	.26	7.4
Coffee	1.98	1.50	.48	32
Drugs, Medicine and Chemicals(2)	4.53½	3.50	1.03½	29.5
"	3.03½	1.50	1.53½	102.3
Dry Goods, Cotton(2)	4.53½	3.27	1.26½	38.7
Dry Goods, Cotton, Piece Goods	2.33½	1.75	.58½	33.4
Insulators	1.98	1.35	.63	46.6
Glass and Glassware	1.98	1.35	.63	46.6
Glass, Window	1.98	1.00	.98	98
Hardware and Tools	1.98	1.25	.73	58.4
Structural Iron and Steel	1.98	1.50	.48	32
Angles, Band, Bar	1.98	1.00	.98	98
Lead, White or Red, dry	1.98	.75	1.23	164
Leather in boxes(2)	3.03½	2.55	.48½	19
Leather Soles, Harness	1.98	1.85	.13	7
Lye, concentrated	1.98	1.00	.98	98
Oil, "cottonseed"	1.98	1.00	.98	98
Paints and Varnishes	1.98	1.25	.73	58.4
Paper Bags	1.98	1.20	.78	65
Stoneware	1.98	1.62	.36	22.2
Roofing and Roofing Matter	1.98	1.25	.73	58.4
Boots and Shoes	3.03½	2.00	1.03½	51.8
Window and Door Screens(2)	4.53½	3.50	1.03½	29.5
Bolts, Clips, Nuts, Rivets, Rods, Nails, iron or steel	1.98	1.00	.98	98
Oil Cloth and Linoleum	1.98	1.25	.73	58.4
Pipe "cast iron," Pipe wrought iron, 12 in. and under	1.98	.70	1.28	182.8
Wire, rods	1.79	.75	1.04	138.6
Saws(2)	4.53½	3.00	1.53½	51.1
Shoe Findings(2)	4.53½	3.25	1.28½	38.5
Sewing Machines	3.03½	2.15	.88½	41.1
Soap	1.98	1.00	.98	98
Radiators	1.98	1.25	.73	58.4
Sugar and Syrup	1.98	1.00	.98	98
Twine, cordage under ⅛"	2.33½	1.30	1.03½	79.6
Twine, ⅛" and over	1.98	1.30	.68	52.3
Wheel Barrows	1.98	1.73	.25	14.4
Window Shades(2)	4.53½	3.00	1.53½	51.1
Wire Fencing	1.98	1.25	.73	58.4
Cable Wire, iron or steel	1.98	1.00	.98	98
Barbed Wire	1.98	.75	1.23	164

(1) Mileage: C.P.R., Montreal to Edmonton 2,265, to Calgary 2,239, to Vancouver 2,881. C.N.R., Montreal to Edmonton 2,168, to Calgary 2,275, to Vancouver 2,938. Tariffs: C.F.A., No. 4E, No. 1G. C.R.C., No. 107, No. 896.

(2) L.C.L.

EXHIBIT XIV.

RATES FROM EASTERN CANADA TO CALGARY AND EDMONTON AND VANCOUVER.(1)

Commodity	Rate to Calgary and Edmonton	Rate to Vancouver per 100 lbs.	Classification	Rate per Ton-Mile	Excess Rate to Calgary and Edmonton	Percentage Excess Rate	Excess Percentage per ton per mile rate
				cents.		%	%
Baking Powder	$2.33½		4th Class	2.09	$ .83½	55.6	100.0
		$1.50	Commodity	1.04			
Canned Goods	1.98		5th Class	1.77	.48	32.0	70.1
		1.50	Commodity	1.04			
Confectionery	3.76		2nd Class	3.36	.26	7.4	38.2
		3.50	Commodity	2.43			
Dry Goods	4.53½		1st Class	4.05	1.03½	29.5	66.6
		3.50	Commodity	2.43			
Hardware and Tools	1.98		5th Class	1.77	.73	58.4	104.3
		1.25	Commodity	.866			
Boots and Shoes	3.03½		3rd Class	2.71	1.03½	51.8	95.0
		2.00	Commodity	1.39			
Barbed Wire	1.98		5th Class	1.77	1.23	164.0	240.0
		.75	Commodity	.52			

(1) Tariffs in effect May, 1937:
C.F.A., No. 4E, No. 1G. C.R.C., No. 107, No. 896.
Mileages:
C.P.R., Montreal to Edmonton 2,262, to Calgary 2,236, to Vancouver 2,878.
C.N.R., Montreal to Edmonton 2,158, to Calgary 2,260, to Vancouver 2,930.
Excess mileage, Vancouver over Calgary, 642 or 29% greater.

EXHIBIT XV.

DISTRIBUTION HANDICAPS OF ALBERTA WHOLESALERS.(1)

Commodity	To	Class or Commodity	Rate	Re-shipping L.C.L. to	Rate	Total miles	Total rate	Difference in Favour of Vancouver
Dry Goods	Vancouver	Commodity	$3.50	Nelson	$1.80	3391	$5.30	$ .88½
	Calgary	L.C.L.	4.53½	Nelson	1.65	2646	6.18½	
Hardware	Vancouver	Commodity	1.25	Cran-	1.49	3520	2.74	.09
	Calgary	5th Class	1.98	brook	.83	2513	2.81	
Barbed Wire	Vancouver	Commodity	.75	Revel-	.75	3257	1.50	1.10
	Calgary	5th Class	1.98	stoke	.62	2499	2.60	
Paints and Varnishes	Vancouver	Commodity	1.25	Vernon	.99	3200	2.24	.73½
	Calgary	5th Class	1.98	Vernon	.99½	2589	2.97½	

(1) Tariffs in effect May, 1937:
C.F.A., 1G, 4E. C.P.R., W.5771, 160A. C.R.C., 896, 107, W.2848, W.3125.

Mileage:
Montreal to Vancouver 2,878, Montreal to Calgary 2,236.

Note: While the distance to ultimate destination is greater from Vancouver than from Calgary, except the last item, the total rate is less from the former; for instance, to Cranbrook the mileage is 365 greater from Vancouver.

Vancouver to Nelson	513 miles	Vancouver to Revelstoke	379 miles
Calgary to Nelson	410 miles	Calgary to Revelstoke	263 miles
Vancouver to Cranbrook	642 miles	Vancouver to Vernon	322 miles
Calgary to Cranbrook	277 miles	Calgary to Vernon	353 miles

SCHEDULE XVI

STATEMENT of First and Fifth Class Rates Fort William to certain points West, based on standard Prairie Mileage Rates and on prescribed Termini Rates, showing the higher percentage the actual rates in effect are over Winnipeg, than are the rates based on the Standard Mileage Scale.

Between Lake Termini and	Mileage	Prairie Scale First Class	Prairie Scale Fifth Class	Termini Rates First Class	Termini Rates Fifth Class	% Over Winnipeg Prairie Scale First Class	% Over Winnipeg Termini Rates First Class	% Over Winnipeg Prairie Scale Fifth Class	% Over Winnipeg Termini Rates Fifth Class
Winnipeg	419	$1.62	$ .74	$1.28	$ .57				
Portage	475	1.77	.81	1.44	.65	9.2%	12.5%	9.4%	14.01%
Brandon	552	2.01	.90	1.65	.75	24.07	28.9	21.6	31.5
Virden	599	2.07	.93	1.77	.81	27.7	38.2	25.6	42.1
Regina	776	2.51	1.14	2.19	.98	54.9	71.1	54.05	71.9
Moose Jaw	817	2.57	1.16	2.30	1.04	58.6	79.6	56.7	82.4
Yorkton	698	2.30	1.04	2.01	.90	41.9	57.03	40.5	57.9
Saskatoon	899	2.72	1.23	2.46	1.11	67.9	92.1	66.20	94.7
Prince Albert	959	2.87	1.29	2.57	1.16	77.1	100.09	74.3	103.5
Weyburn	734	2.42	1.08	2.13	.95	49.2	66.4	45.9	66.6
Swift Current	928	2.82	1.26	2.51	1.14	74.07	96.09	70.2	100.0
Medicine Hat	1075	3.05	1.38	2.82	1.26	88.2	120.3	86.5	121.05
Lethbridge	1176	3.27	1.47	3.02	1.35	101.8	151.6	98.6	130.9
Calgary	1242	3.36	1.50	3.14	1.41	107.4	145	102.7	147.3
Edmonton	1227	3.36	1.50	3.14	1.41	107.4	145	102.7	147.3

C.N.R., W.100A, W.180C, W.185B; C.P.R., W.5100, W.1, W.175; C.R.C., W.370, W.325, W.656, W.2738, W.2871, W.2933.

SCHEDULE XVII.

ADVANTAGES OF WINNIPEG AS A DISTRIBUTING CENTRE.

Haul	Distance in Miles	Class	Rates	Total
Port Arthur to Winnipeg	290	5th	$ .57	
Winnipeg to Vermilion	690	4th	.98	$1.55
Port Arthur to Edmonton	1083	5th	1.41	
Edmonton to Vermilion	130	4th	.35	1.76(1)
Port Arthur to Winnipeg	290	5th	.57	
Winnipeg to Athabasca	890	4th	1.16	1.73
Port Arthur to Edmonton	1083	5th	1.41	
Edmonton to Athabasca	97	4th	.30	1.71(2)

(1) Difference in favour of Winnipeg is $.21, although the L.C.L. haul from Winnipeg is many times the L.C.L. haul from Edmonton. Because the cost of carrying goods in less than carload lots (L.C.L.) is higher than in carloads, it is universal practice the world over to construct rates so that L.C.L. hauls are reduced to a minimum. Yet here we have a rate structure which needlessly increases this costly haul, at the expense of the business and employment interests of the people of Alberta.

(2) Difference in favour of Edmonton is only 2 cents, although the L.C.L. haul is only about 100 miles, while the Winnipeg L.C.L. haul is from Winnipeg to Edmonton AND 97 miles beyond.

EXHIBIT XVIII

STATEMENT of Three Commodity Rates from Fort William and Port Arthur to Western Points, showing the % Reduction in the Ton Mile Commodity Rates to be smaller than the % Reduction in the Standard Mileage Rates for the longer distances.

From Fort William and Port Arthur to	Miles	Commodity Rate per 100 lbs.	Ton Mile Rate per 100 lbs.	Carload Standard Mileage Rate per 100 lbs.	5th Class Standard Mileage Rate per Ton Mile	% Reduction Standard Mileage per Ton Mile Rate is of Winnipeg per Ton Mile Rate	% Reduction Commodity per Ton Mile Rate is of Winnipeg per Ton Mile Rate	Commodity
			cents.		cents.	%	%	
Winnipeg	419	$ .36	1.71	$ .74	3.53			Soda
Regina	776	.59	1.52	1.14	2.93	13.8	11.1	
Medicine Hat	1075	.80	1.48	1.38	2.56	27.4	13.4	
Edmonton	1227	.90	1.46	1.50	2.44	30.8	14.6	
Calgary	1242	.90	1.45	1.50	2.41	31.1	15.2	
Winnipeg		.75	3.58	1.08	4.96			Pineapple
Regina		1.28	3.09	1.67	4.30	13.3	13.7	
Medicine Hat		1.55	2.88	2.01	3.74	24.6	19.5	
Edmonton		1.76	2.86	2.24	3.65	26.4	20.1	
Calgary		1.76	2.83	2.24	3.60	27.4	20.9	
Winnipeg		.42	1.95	.74	3.53			News Print
Regina		.86	2.21	1.14	2.93	13.8	*13.3	
Edmonton		1.16	1.89	1.50	2.44	30.8	3.0	
Calgary		1.16	1.87	1.50	2.44	31.1	4.0	

* Increase:
Tariffs effective May, 1937: C.P.R., W.175, W.100, W.1. C.R.C., W.2933, W.2937, W.2871.

SCHEDULE XIX.

STATEMENT showing the Actual Reduction and the Percentage Reduction from the Prairie Standard Mileage Rates of the Application of the assumed 290 miles between Fort William and Winnipeg as the basis for construction of the Fort William Termini Class Rates; also showing the resultant rates to Western Points by using the same cents reduction to all points West as is applied to Winnipeg. It will be noted that under the present formula, Winnipeg enjoys a 20.9% reduction from the Standard Mileage Rates, while the reduction to Calgary and Edmonton is 6.5%.

Between Lake Termini and	Mileage	Prairie Scale First Class	Present Rate First Class	% Reduction from Prairie Scale	Reduction from Prairie Scale (in cents)	Proposed Reduction from Prairie Scale (in cents)	Proposed Rate First Class	% Reduction from Prairie Scale Rate	Reduction from Present Rate (in cents)
Winnipeg	419	$1.62	$1.28	20.9%	34	34	$1.28	20.9%	Nil
Portage la Prairie	475	1.77	1.44	18.7	33	34	1.43	19.2	1
Brandon	552	2.01	1.65	17.9	36	34	1.67	16.9	*2
Virden	599	2.07	1.77	14.4	30	34	1.73	16.4	4
Regina	776	2.51	2.19	12.7	32	34	2.17	13.5	2
Moose Jaw	817	2.57	2.30	10.05	27	34	2.23	13.2	7
Yorkton	698	2.30	2.01	12.6	29	34	1.96	14.7	5
Saskatoon	899	2.72	2.46	9.5	26	34	2.38	12.5	8
Prince Albert	959	2.87	2.57	9.05	30	34	2.53	11.8	4
Weyburn	734	2.42	2.13	11.9	29	34	2.08	14.0	5
Swift Current	928	2.82	2.51	10.9	31	34	2.48	11.1	3
Medicine Hat	1075	3.05	2.82	7.5	23	34	2.71	11.1	11
Lethbridge	1176	3.27	3.02	7.6	25	34	2.93	10.4	9
Calgary	1242	3.36	3.14	6.5	22	34	3.02	10.1	12
Edmonton	1227	3.36	3.14	6.5	22	34	3.02	10.1	12

(*) Increase.

Tariffs effective May, 1937: C.P.R., W.100; C.R.C., W.2937, W.1, W.2871, W.175, W.2933; C.N.R., W.100B; C.R.C., W.662, W.180C, W.164, W.185B, W.656.

EXHIBIT XX.

AS A RESULT of the 290 constructive miles applied between the Lake Termini and Winnipeg for the purpose of constructing the Class Rates from and to Western Points, Winnipeg gets a greater advantage than do the Western Points. Below is statement showing the actual rates in effect First to Fifth Classes from Fort William, Port Arthur and Armstrong to various points and proposed rates based on the Town Tariff Rates which are 85% of the Standard Mileage Rates.

From	To	Mileage		Classes 1	2	3	4	5
Lake Termini	Winnipeg	419	Present Rate	$1.28	$1.07	$ .84	$ .63	$ .57
			Proposed Rate	1.37	1.14	.90	.69	.62
	Brandon	552	Present Rate	1.65	1.38	1.10	.83	.75
			Proposed Rate	1.70	1.41	1.14	.85	.77
	Regina	776	Present Rate	2.19	1.83	1.47	1.10	.98
			Proposed Rate	2.13	1.79	1.41	1.07	.95
	Moose Jaw	817	Present Rate	2.30	1.92	1.53	1.16	1.04
			Proposed Rate	2.19	1.83	1.47	1.10	.98
	Saskatoon	899	Present Rate	2.46	2.06	1.65	1.23	1.11
			Proposed Rate	2.30	1.92	1.53	1.16	1.04
	Swift Current	928	Present Rate	2.51	2.09	1.67	1.26	1.14
			Proposed Rate	2.42	2.01	1.61	1.20	1.08
	Medicine Hat	1075	Present Rate	2.82	2.34	1.88	1.41	1.26
			Proposed Rate	2.61	2.18	1.74	1.31	1.17
	Calgary	1242	Present Rate	3.14	2.61	2.09	1.58	1.41
			Proposed Rate	2.87	2.40	1.92	1.43	1.29
	Edmonton	1227	Present Rate	3.14	2.61	2.09	1.58	1.41
			Proposed Rate	2.87	2.40	1.92	1.43	1.29

Tariffs in effect May, 1937: C.N.R., W.235B: C.P.R., W.175; C.R.C., W.542, W.2933.

EXHIBIT XXI.

STATEMENT showing the relationship of the Class Rates in effect from Eastern Canada to Western Canada Points, to the Standard Mileage First Class Rates.

From Montreal to—	Miles	Eastern Standard Mileage First Class Rate to Fort William		Prairie Standard Mileage First Class Rate Fort William to Destination		Through Standard Mileage Rate First Class	Published First Class Rate	Reduction from Standard Mileage Rate	% Reduction from Standard Mileage Rate
Winnipeg	1411	$2.87½	+	$1.62	=	$4.49½	$2.67½	$1.82	40.5
Regina	1768	2.87½	+	2.51	=	5.38½	3.58½	1.80	33.3
Moose Jaw	1810	2.87½	+	2.57	=	5.44½	3.69½	1.75	32.1
Swift Current	1920	2.87½	+	2.82	=	5.69½	3.90½	1.79	31.4
Medicine Hat	2068	2.87½	+	3.05	=	5.92½	4.21½	1.71	28.8
Calgary	2248	2.87½	+	3.36	=	6.23½	4.53½	1.70	27.2
Edmonton	2159	2.87½	+	3.36	=	6.23½	4.53½	1.70	27.2

The Prairie Standard Mileage Class Tariff approximates the Eastern Standard Mileage Tariff in effect between Montreal and Fort William, so that, in effect the Prairie Standard Mileage Tariff could be applied to the mileage from Montreal to Western Points in order to arrive at the Class Rate basis. This basis, however, is never used for long haul rates. We will apply it, however, theoretically from Montreal to Winnipeg and to Edmonton and see what the effect is:

	Prairie Standard Mileage First Class Rate	Actual First Class Rate in effect	Reduction in cents per 100 lbs.	Percentage Reduction	Increase in cents per 100 lbs.	Percentage Increase
Montreal to Winnipeg	$3.65	$2.67½	.97½	26.7%		
Montreal to Edmonton	4.43	4.53½			10½	2.4%

The above facts show the decided advantage Winnipeg enjoys over Alberta points as a result of the class rates breaking at Fort William, and the constructive mileage used from Fort William West.

Tariffs in effect May, 1937: C.P.R., E.1, W.1; C.F.A., 4E; C.R.C., 4385, W.2871, 107.

EXHIBIT XXII.

STATEMENT of certain Class and Commodity Rates from Group "A" and "B" Points in Eastern Canada to Winnipeg and to Edmonton, showing that Edmonton's Commodity Rates are a higher percentage of the Class Rates than are Winnipeg's Commodity Rates of the Class Rates; also showing that the Commodity Rates to Edmonton are a higher percentage over Winnipeg than the percentage of the Edmonton Class Rates over Winnipeg. The same results are found in Calgary and other Alberta points.

From Eastern Canada "A" or "B" point	Class Rate to Winnipeg	Commodity Rate to Winnipeg	Percentage of Class Rate	Class Rate to Edmonton	Commodity Rate to Edmonton	Percentage of Class Rate	Percentage Edmonton Class Rate Over Winnipeg	Percentage Edmonton Commodity Rate Over Winnipeg
Commodity								
Agricultural Implements	$1.01	$ .82½	81.6%	$1.79	$1.63½	91.3%	77.2%	98.8%
Pipe, wrought iron or steel, over 4 inches	1.14	.91	79.8	1.98	1.71	86.3	73.7	87.9
Petroleum and Petroleum Products	1.14	1.01	88.66	1.98	1.88½	95.2	73.7	86.6
Hardwood Lumber	.73½	.52	69.4	1.18½	.90½	76.3	61.2	74.0
Salt	.73½	.52	69.4	1.18½	.91	76.7	61.2	75.0

Tariffs effective May, 1937: C.F.A., 4, 5G; C.R.C., 107, 569.

EXHIBIT XXIII.

STATEMENT OF RATES CARLOADS FROM VANCOUVER AND CHILLIWACK TO THE POINTS LISTED BELOW ON CANNED GOODS, VIZ.

Catsup, fish, fruit, jam and jellies, meats, milk (condensed), mince meats, pickles, pork and beans, vegetables, showing that while the rates are commodity rates to points East of Alberta with lower rates for the higher minimums, the rates to Alberta points are class rates for the lowest and highest minimums, with one exception, Edmonton, which point is equalized with Calgary. Result, Alberta points receive no reduction for loading beyond the minimum.

FROM	TO	Min. Weight 24000 lbs. Rate	Min. Weight 40000 lbs. Rate	Min. Weight 60000 lbs. Rate	% Reduction of 60000 Min. Rate from Class Rate
Vancouver	Calgary	$ .98	$ .98	$ .98	Nil
	Drumheller	1.12	1.12	1.12	Nil
	Edmonton	1.12	.98	.98	12%
	*Lethbridge	1.12	1.12	1.12	Nil
	Regina	1.41	1.37½	1.26½	10%
	Saskatoon	1.41	1.37½	1.26½	10
	Yorkton	1.58	1.42½	1.26½	19
	Brandon	1.58	1.42½	1.26½	19
	Portage la Prairie	1.67	1.42½	1.26½	24
	Winnipeg	1.71	1.42½	1.26½	26

C.P.R. tariff, W.160A; C.R.C., W.3125.
* Rate Chilliwack to Lethbridge $1.14 per 100 lbs. Rates in effect May, 1937.

EXHIBIT XXIV.

COMPARISON Various Commodity Rates from Edmonton to Vancouver and to Winnipeg showing the per ton-mile rate and applying the Winnipeg per ton-mile rate to Vancouver with resultant rate, and showing the effect of the Mountain Differential on the rates of Alberta basic products.

Commodity	From	To	Rate per 100 lbs.	Mileage	Rate per ton-mile	On basis of Edmonton to Winnipeg per ton-mile rate, rate to Vancouver would be, per 100 lbs.
Fresh Meat	Edmonton	Vancouver	$1.10	765	$2.85	$1.03 per 100 lbs.
	"	Winnipeg	1.07	794	2.69	
Cheese or Eggs, straight or mixed	"	Vancouver	1.10	765	2.85	1.03 " " "
	"	Winnipeg	1.07	794	2.69	
Butter and Dressed Poultry	"	Vancouver	1.45	765	3.92	1.35 " " "
	"	Winnipeg	1.41	794	3.55	
Cattle, Hogs and Sheep	"	Vancouver	.56	765	1.46	.45 " " "
	"	Winnipeg	.47	794	1.18	

Tariffs, C.N.R.: W.134D, W.182D, W.244B, W.100B. C.R.C., W.1080, W.767, W.587, W.662.

EXHIBIT XXV.

COMPARISON OF EASTERN, PRAIRIE AND PACIFIC LOCAL MILEAGE GRAIN AND GRAIN PRODUCTS RATES.(1)

Miles, not over	Eastern		Prairie		Pacific	
	C.L	L.C.L.	C.L.	L.C.L	C.L.	L.C.L.
	cents	cents	cents	cents	cents	cents
10	3½	9½	6	15	6½	15
50	5	16½	11	23	12	27
75	7½	20½	12½	30	14½	33
100	7½	22½	15	35	17	39
125	8½	25	17	39	18½	47
150	10	27½	18	45	20	50
200	10	30½	20	51	23	59
250	12½	34½	23	59	26	67
300	14	40	24½	65	27½	77
350	15	41½	27	72	30½	84
400	16	45½	29	78	32	90
450	17	49	30½	86	35	$1.01
500	18	50	32	92	36½	1.10
550	19	52½	33½	98	38½	1.16
560	20	52½	35	$1.01	39	1.19
600	20	54	36	1.04	39½	1.20
650	21		36½	1.10	41½	1.28
700	22		38½	1.16	42	1.32
750	23		39½	1.20	44	1.41
800	24		41	1.26	45½	1.46

(1) Tariffs in effect May, 1937: C.P.R. tariff, E.380A, W.5824, W.5768, W.1; C.R.C., E.4660, W.2862, W.2846, W.2871.

Eastern Canada rates apply between stations on Main Line and Branches, Windsor, Sudbury and east to and including Montreal, and between Montreal and Quebec and Meganic and Branches.

EXHIBIT XXVI.

RATES ON GRAIN MOVING FOR DOMESTIC CONSUMPTION IN EASTERN CANADA AND FROM THE PRAIRIES TO PACIFIC COAST POINTS.(1)

From	To	Miles	Rate From Points Equi-distant From Vancouver	Rate to Vancouver	% Western Rates of Eastern Rates
			cents	cents	
Montreal	St. John, N.B.	488	17	36½	213%
Toronto	St. John, N.B.	810	25	46	184
Owen Sound	St. John, N.B.	927	28	48½	173
Windsor	St. John, N.B.	1055	28	50½	180
Windsor	Quebec	739	23	44	191
Windsor	Montreal	567	18	39	216
St. Thomas	Montreal	462	17	36	211
Chatham	Montreal	519	18	37	205

(1) Tariffs in effect May, 1937: C.P.R., E.430, W.5824; C.R.C., E.4702, W.2872.

EXHIBIT XXVII.

RATES ON GRAIN AND GRAIN PRODUCTS TO POINTS IN EASTERN CANADA AND FROM PRAIRIE POINTS TO VANCOUVER.(1)

From	To	Miles	Rate per 100 lbs.	% Western Rates Over Eastern
			cents	
Fort William	London, Ont.	917	20	
Tompkins, Sask.	Vancouver	915	47½	137%
Fort William	Windsor, Ont.	1028	20	
Parkberg, Sask.	Vancouver	1032	50	150
Fort William	Quebec, Que.	1141	20	
Qu'Appell, Sask.	Vancouver	1141	52½	163
Fort William	Admunston, N.B.	1541	35	
Riverton, Man.	Vancouver	1544	61	74
Fort William	St. John, N.B.	1462	35	
Winkler, Man.	Vancouver	1464	60½	73
Fort William	Montreal, Que.	995	20	
Streamstown, Alta. ...	Vancouver	995	49	145

(1) Carloads. Tariffs in effect May, 1937: C.P.R., E.400A, W.5824; C.R.C., E.4625, W.2862.

The mileage grain rate as per C.P.R. Tariff E.380A from Fort William to London or any point in Ontario of equal distance from Fort William 917 miles is 64 cents per 100 lbs. The published rate is 20 cents or 68% reduction while the rate from a point equidistant from Vancouver to Vancouver is 100% Pacific Standard grain mileage rate for the entire distance, although 50% of the distance is Prairie haul.

EXHIBIT XXVIII.

COMPARISON of Rates on Grain for Export from points in Ontario to St. John, N.B., with rates from Prairie Points to Vancouver for export for like distances.(1)

From	To	Mileage	Rate per 100 lbs.	% Excess
			cents	
Windsor, Ont.	St. John, N.B.	1055	18½	
Castlewood, Sask.	Vancouver	1055	24	30.0%
London, Ont.	St. John, N.B.	943	16½	
Provost, Alta.	Vancouver	944	24	45.4
Goderich, Ont.	St. John, N.B.	963	13½	
Rusylvia, Alta.	Vancouver	962	24	77.7
Fort William	St. John, N.B.	1462(2)	21	
Dawson, Creek, Alta.	Vancouver	1251	30	42.8

(1) Tariffs in effect May, 1937: C.P.R., E.500B, W.5769; C.R.C., 4558, 2847.
(2) The western haul, 86% of the distance, has a 42.8% higher rate.

PART II.

The Burden of the Protective Tariff upon Alberta

The majority of the people of Alberta believe strongly that the tariff impoverishes the nation by an amount much greater than the value of any non-material national purpose it may achieve. They would favour a policy of reduced tariffs, particularly on those commodities that enter into the every day cost of living. The discussion which follows, however, is confined to the effect of the tariff upon the economic well-being of the Province.

We proceed by stating in general terms, the arguments in support of our contention, that the federal tariff policy puts an economic burden upon Alberta, as upon the other Prairie Provinces, greater than our proper share. To establish that we bear more than a proper share of the tariff burden, requires that we state our concept of what is a fair division of this particular burden among the different provinces.

The starting point in this attempt to set out the proper division of the national economic burden of the tariff, is our point of view as to the proper long-run principle controlling the economic relations between the Dominion and a Province. We believe that, in the long run, the economic burdens and benefits

to Alberta resulting from its membership in the Dominion, should come as close to a balance as possible. If certain Dominion policies, designed to secure certain non-economic benefits of the people of Canada as a whole, involve an excess of economic burdens over economic benefits, taking Canada as a whole, this Province should share in bearing such excess, only in proportion to its share in the non-economic benefits achieved. We take this attitude because Canada is a federation, and not a unitary state, which implies that a province in the Dominion has rights quite different from those (e.g.) of a municipality, from which wealth may be drawn, without compensation, for the good of the larger whole, on the basis of ability to pay. Each province should enjoy for the benefit of its own citizens whatever wealth arises from its people and its resources, subject only to the obligation to contribute toward national purposes on a proportional or other more accurate "benefit received" basis. The common feeling that "no province should be worse off in the federation than it would be if out of it," sums up this viewpoint fairly aptly.

The non-economic benefits and certain non-measurable economic benefits, for which the economic burdens of the tariff are borne, include the quickening and enlivening of national culture through promotion of urban concentrations of population; the provision of opportunity for those with aptitudes suiting them to industrial, rather than primary employment, without compelling them to leave Canada; the increase of security given by greater self-containedness against the possibility of war and other interruptions to international trade; the maintenance of a national transportation system,(1) and so on. In these so called "National" benefits, it is not at all certain that Alberta shares in comparison with other provinces, in a degree even in proportion to our population. (As for the maintenance of a national transportation system for instance, we contend in another section of our case, that we bear at least our full share of the burden and probably more in the freight rates we pay.) Further, not all of these objectives are those from the achievement of which Alberta secures much of a non-economic benefit; the quickening of life by urban concentration of population is a case in point. While we willingly share in the economic costs of truly national policies, which spread their indirect benefits to all who are Canadians, we submit that in the proper allocation of the net economic costs of tariff

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(1) "The tariff has been designed to compel the movement of manufactured goods from the Great Lakes area over railways to the West and to the East and to force outlying areas to pay a proportionately larger share of earnings to support the railways."—Complementary Report of Dr. H. A. Innis: the Province of Nova Scotia; Report of the Royal Commission, Provincial Economic Inquiry (Halifax, King's Printer, 1934), p. 151.

policy, the share of the people of Alberta, should in equity be even less than in proportion to their numbers.

It is our contention that the share of the total national economic burden of the tariff, which is borne by the people of this Province, is much greater than in equity it should be, in proportion to our numbers. This arises mainly from the fact that we have a much greater proportion of "unsheltered" producers to our whole population than the average for Canada as a whole. The former conclusion follows from the latter fact because, in general, "unsheltered" producers are unable to shift to consumers or to other producers, the increase in costs due to the tariff, while "sheltered" producers tend to be able to do so.

A widely extended tariff acts directly or indirectly to raise the price of almost all goods and services in a nation, other *than those of which the price determining part is exported,* and those which are imported, duty free. To the extent that it is a revenue tariff, some goods are imported over the tariff barrier, and are directly raised in price. To the extent that it is protective, it is designed, in the first instance, to enable potential domestic producers, who due to natural disadvantages in the country, cannot produce as cheaply as foreign producers, to secure domestic prices higher than world prices by enough to compensate for their disadvantage.(1) In the same way it is sometimes designed to force traffic over a national transportation system which, under Free Trade conditions, would not *secure such traffic. The rise in costs due to these price-raises* compels the great host of "sheltered" domestic producers of goods and services, (that is those manufacturers, furnishers of transportation, personal, professional and other services, who are protected from foreign competition by high transportation costs on foreign goods, by the peculiarly local nature of their product, or by their great natural advantages), to raise their prices. Some of these who, under Free Trade, would be barely "economic," are compelled to secure tariff protection to recover their increased costs. The original subsidized "uneconomic" producers are in turn compelled to secure still higher protective tariffs to enable them to get a price to cover not only their higher costs due to their disadvantages but also the costs due to the higher prices charged to them by domestic producers

(1) It is not the purpose of this brief to discuss whether this policy of encouraging uneconomic industries is good or bad from the national point of view, but rather accepting it as Dominion policy, to point out the excessive burden it lays upon the people of Western Canada. We cannot, however, refrain from pointing out that the cases where extreme natural disadvantages exist and where extremely high protection has resulted *only in trifling* domestic production, seem especially burdensome to the people of Western Canada. Since we bear the bulk of the burden of the protective policy, we find it especially painful to bear burdens from which not even the people of other provinces receive any benefit commensurate with our sacrifice.

and by one another. As this spiralling of increased prices goes on, more and more of the original burden of fostering "uneconomic" industries is shifted to those who cannot pass the burden on. These are, principally, the producers who cannot raise their prices because such prices are determined in export markets, and ordinary consumers living by contractual or near-contractual incomes. Eventually a point of equilibrium is reached, at which practically all the original burden has been passed on to these groups, of which the former is much the greater.(1)

Possibly, during this process of passing on the burden, some part of it is absorbed by various domestic groups or persons other than those mentioned, who for one reason or another cannot help it. Thus, some producers of goods for the home market may find it pays better to absorb the increased cost than lose sales if the public proves very resistant to raised prices. Occasionally some producer is unable to pass on the rise in his costs because he cannot get protection. This absorption, however, save in the short run, is generally conceded to be small. It must also be recognized, on the other hand, that in the same process of shifting the burden, some possibilities of adding something appear here and there. It is especially true if the tariff is accompanied by close relationships between a parent company in one country and a Canadian branch plant, so that the foreign parent does not compete keenly with its Canadian subsidiary. (This type of excess passing on of the tariff's burden is suggested by the Saskatchewan representation to the Royal Commission on Dominion-Provincial relations that automobiles are higher in Canada than in the United States, by more than the tariff and difference in taxes.) Further, while the tariff is theoretically set only high enough to overcome the disadvantages of certain potential producers, it is not unlikely that, in some cases, it errs on the generous side.(2) In any case, different firms have different costs of production and a tariff high enough to permit continuance of the least favoured of these firms enables the more favoured among them to secure a greater rise in price than is necessary to counteract their disadvantages, and enables already "economic" domestic industries producing goods, more or less competitive with protected goods, to raise their prices.

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(1) This line of argument concerning the passing-on of the tariff burden is substantially that adopted in the Report of the Customs Tariff Commission, 1934-35, Union of South Africa: Pretoria: Government Printer.

(2) The recent textile inquiry before the Honourable Mr. Justice Turgeon has amply demonstrated to the people of Canada that it is possible for a tariff to go far beyond merely enabling an economic industry to exist. It may, and apparently sometimes does, involve an unnecessary burden upon the consumer, for the enrichment, perhaps not of the workers, but at least of the investors in the subsidized line.

The production of the Province of Alberta contains a large proportion of those agricultural products, the prices of which are determined in export markets, and the producers of which cannot therefore secure any compensation for the higher costs imposed upon them from all sides by the direct and indirect operations of the tariff. A large proportion of the balance of the production of Alberta, is of goods marketed largely locally or on the Prairies, and subsidized only slightly if at all, by tariffs or other aids. In the preponderantly industrial provinces, a much smaller proportion of the population is of the classes which cannot shift the burden, that is, receivers of contractual incomes and producers of goods price-determined in export markets. (Even some proportion of their agricultural producers may be regarded as "sheltered," since they sell in local markets, protected by transportation costs from competition of low-price Western or foreign produce.) Even such absorption of the tariff burden as does take place is counteracted, in greater or less degree, by the benefits bestowed here and there by the tariff's increase of selling prices by unnecessary amounts, as referred to in the preceding paragraph.

An examination of the following tables will indicate, if only roughly, the truth of the preceding paragraph.

TABLE. I.

PERCENTAGE OF GAINFULLY OCCUPIED ENGAGED IN PRODUCTION OF FORM UTILITIES, 1934(1)

Prince Edward Island	75.83%
Nova Scotia	66.19
New Brunswick	67.00
Quebec	61.04
Ontario	60.52
Manitoba	59.55
Saskatchewan	71.88
Alberta	68.65
British Columbia	57.19

(Canada Year Book, 1937, p. 866.)

From this it appears that only 31.35 per cent of the gainfully occupied persons of Alberta, were engaged in the largely "sheltered" occupations of transportation, trade, finance and service; as against 39.48 per cent for Ontario, and 38.96 per cent for Quebec.

An indication of the way in which those engaged in production of form utilities, were dispersed among the various branches of production in Alberta, Ontario, and Quebec, is given in the following table.

(1) Production of "form utilities" is the only production included in the statistical estimates of national and provincial production. Persons engaged in transportation, trade, finance and service are not included in the statistics which follow.

TABLE II.

PERCENTAGE OF THE VALUES OF NET PRODUCTION IN EACH BRANCH OF PRODUCTION TO THE TOTAL NET PRODUCTIONS OF ALBERTA, ONTARIO AND QUEBEC, 1934.

Branch of Production	Alberta	Ontario	Quebec
Agriculture	66.8%	21.1%	21.6%
Forestry	1.9	3.5	9.3
Fisheries	.1	.2	.4
Trapping	.6	.2	.1
Mining	11.4	14.2	5.3
Electric Power	2.5	4.2	7.9
Construction	3.0	6.0	4.0
Custom and Repair	2.3	2.5	2.0
Manufactures	11.3	48.2	49.5

(Canada Year Book, 1937, p. 220.)

It must be noted that the discrepancy here indicated, is intensified by the fact that, in 1934, although agricultural recovery had begun, the net production per person gainfully occupied in agriculture was still low relatively to that in industry, so that the proportion of people engaged in agriculture, is probably higher than here indicated.

The following table shows how little our agricultural production was of the "sheltered" type, compared with that of Ontario.

TABLE III.

ESTIMATED GROSS AGRICULTURAL REVENUE OF ALBERTA AND ONTARIO, 1935.
(in millions)

	Alberta	Ontario
Field Crops	$97.7	$131.1
Wheat	60.2	10.3
Farm Animals	21.4	43.3
Dairy Products	14.3	85.1
Fruits and Vegetables	2.2	18.4
Poultry and Eggs	4.5	21.0

(Canada Year Book, 1937, pp. 234-5 and 241-3.)

While this table shows the large portion of our agricurtural production, that is not and cannot be helped by a tariff to pass its tariff burden onto the Canadian consumer, it must be pointed out that protection is being withdrawn from that small part of it that could be helped. Quite recently the tariff on lamb and mutton from New Zealand and Australia, was reduced from 3 cents per pound to ½ cent per pound. While we understand that certain manufacturers in Eastern Canada will profit by this change by securing preference in New Zealand and Australian markets, it is a blow to the Alberta Sheep Breeders' Association, and has a serious effect on the feeding of lambs in the irrigation districts which has developed into a

valuable industry. Sheep raisers were not even given an opportunity to present their case to the Tariff Board. Furthermore, the sugar beet industry in the irrigated districts in Alberta could be greatly stimulated by reducing imports of cane sugar, and thus help solve the problem of certain portions of the dry areas of the Province. It is a well known fact that the growing of sugar beets is one of the most profitable occupations on irrigated lands.

The following table indicates the nature of our manufacturing production:

TABLE IV.

GROSS AND ESTIMATED NET VALUE OF PRODUCTS AND NUMBER OF EMPLOYEES OF THE ELEVEN LEADING MANUFACTURING INDUSTRIES OF ALBERTA, 1934.

Industry	Number of Employees	Gross Value of Products in millions	Estimated Net Value in millions
1. Slaughtering and Meat Packing	1,396	$13.6	$ 2.5
2. Flour and Feed Mills	682	10.5	2.2
3. Petroleum Products	424	8.6	1.8
4. Butter and Cheese	772	6.4	1.9
5. Central Electric Stations	625	4.6	4.5
6. Railway Rolling Stock	1,524	2.9	1.3
7. Breweries	218	2.8	1.9
8. Printing and Publishing	787	2.3	1.5
9. Bread and Bakery Products	652	2.3	1.2
10. Saw-mills	878	1.1	.5
11. Sugar Refining and Wood Preservation	350	3.7	1.0
Total, All Industries	11,565	$69.4	$27.6

The net value of products is estimated by applying, where possible, the same percentage reduction of gross figures as is applied to the national gross figures on p. 439 of Canada Year Book, 1937.
(Source: Canada Year Book, p. 447.)

Of these industries, virtually none are aided by the tariff or other subsidy, with the possible exception of such aid as is furnished butter and cheese producers and the petroleum products industry by Federal policy. Most of the industries are sheltered by their peculiarly local nature, although slaughtering and meat packing, and flour mills, selling in markets affected to some extent by foreign competition, may actually have to bear or pass backward to the farmer, the tariff's burden upon their costs.

The following table of the gross or net (they are statistically identical) value of mineral production of this Province in the calendar year 1935 shows its concentration upon a relatively few products, slightly, if at all, subsidized by Dominion policy. Coal, the dominant one of these, has been persistently refused sufficient aid to reach our markets satisfactorily.

TABLE V.

VALUE OF MINERAL PRODUCTION OF ALBERTA, 1935.

Gold and Silver	$ 5,289
Coal	14,094,795
Natural Gas	4,113,436
Crude Petroleum	3,102,227
Other Non-Metallics	160
Clay Products	326,679
Cement and Structural Materials	647,095
TOTAL	$22,289,681

(Canada Year Book, 1937, pp. 351-3.)

A burden of the tariff upon the west, probably additional to that already outlined, or possibly merely another aspect of the same burden, lies in the fact that the tariff, by putting a burden on production in Alberta, prevents a considerable volume of production that would, under Free Trade, be just over the borderline of profitability, thus reducing the population of this area; while, by the same token it raises the population of the industrial provinces. Fiscally, it is undoubtedly true that an increased population with an increased production would increase the Alberta Government's Revenue, by more than it would increase the cost to the Government of maintaining the same services. It is also true that increased density of population contributes greatly (at least up to a certain point, not yet reached by the western provinces) to the non-material amenities of life in a province. Possibly, most of this burden may be thought of as being comprehended within the main effect already considered the draining away of wealth from Alberta, to be spent in subsidizing "uneconomic" development in the industrial provinces. That is, we may perhaps assume that if a Dominion payment, equal to the present inequitable part of our tariff burden (as conceived in preceding paragraphs) were made to the Alberta Government, having been garnered from the economic surpluses of the industrial provinces, such payment could be used in Alberta, to subsidize directly or indirectly, that volume of production which is at present made barely "uneconomic" by the tariff's burden, so as to bring about in this Province a tax-paying population, almost as great as if there were no tariff burden. Presumably, if such a payment could be secured in the industrial provinces from their economic surpluses, and not by imposing a new burden on borderline production there, the original intention of Federal tariff policy to foster such production would not be nullified.

Another aspect of the especial burden placed upon Alberta by Federal tariff policy that is difficult to measure is the effect of depressing prices of our exports abroad. A protective tariff,

by cutting off a certain value of imports, compels the reduction of total value of exports by something like an equal amount (disregarding the possibility of independent changes in capital-flows and other international-payments movements). This may be, in part, accompanied by the drawing-off of some former producers of export goods, to the production of the goods previously imported, and by an increase (due to the increase of numbers among the industrial groups) of domestic demand for the goods formerly exported. In part, however, it is undoubtedly accompanied by reduced prices per unit for our exports abroad, due to the reduced foreign purchasing power, resulting from our failure to buy foreign goods, and sometimes to foreign governments taking measures to restrict imports as retaliation for our action. Just how important this is, we find it difficult to evaluate, but we would point out that with a highly specialized commodity like wheat, the increased domestic demand could hardly come at all near compensating for the reduced foreign demand.

The foregoing remarks convey our general contention that, over the long-run of good and bad years, the Dominion tariff places a heavy burden upon this Province. In addition to this, we contend that this policy has placed a special burden upon us in times of depression. According to our concept of the proper short-run economic relationships existing in a Federation there should, in a time of world depression which strikes with especial severity at one region (or indeed at any time when drought or other disaster hits one region especially), be a deliberate unbalancing of the long-run equality of burden and benefit to a Province, in favor of the depressed provinces. (This seems preferable to a money loan which, if large enough to be beneficial, would be harmful to the credit of the depressed region). Even if the tariff's burden were maintained unchanged, its impact upon a depressed economy is especially severe at such times. It would appear, however, that, in times of depression, one result of the policy of the Dominion of Canada is to intensify the amount of this burden by higher rates and by a host of administrative devices, designed to increase greatly the degree of protection enjoyed by various Canadian producers. Secondly, if it is true that such policy is necessary in the national interest (e.g., to protect the currency, etc.), we submit that this reversal of what we should reasonably be able to expect from this Confederation, calls for substantial compensation to us.

The extent of the increase of the tariff's absolute burden during the recent depression, cannot be completely detailed here, but some indication may be given. This increase was provided in five ways:

1. By expansion of the number of items in the tariff;
2. By raising import duties, both *ad valorem* and specific;
3. By the application of anti-dumping legislation;
4. By fixing values for duty purposes; and
5. By fixing values for duty purposes in combination with the general application of anti-dumping legislation covering imports that compete with goods made in Canada.

The increase in the number of dutiable items, and the increases in the rates are too well known to need elaboration. Anti-dumping legislation was developed originally in 1904, to prevent the "unfair" competition to Canadian producers, involved in sales by foreign producers for export to Canada, at lower prices than prevailing in their home markets. It involved substantially the levying of additional duties on goods of a class or kind produced in Canada, equal to the entire difference between the fair market price when sold for home consumption and the export price. Fixing value for duty purposes by the Minister, was designed originally as an ultimate protection against undervaluation on invoices of imports, dutiable on an *ad valorem* basis. Legislation of 1930 required that the valuation determined by the Minister should be no less than cost of production, plus selling costs, plus profit. This places upon a manufacturer wishing to export to Canada, the obligation to furnish, if so requested, to the responsible Minister and his Department evidence as to his cost of production, which involves a detailed analysis of his business operations; also evidence that he has included "reasonable selling cost" and that he is making a profit out of the business that he is doing in Canada. While the power granted by this legislation was not extensively used, the deterrent to exporting to Canada contained in the possibility of its use is obvious. A greater deterrent to the Canadian importer lies in the fact that if the value so determined is greater than the invoiced value, other legislation of 1930 (see later), made dumping-duties also applicable.

Legislation of 1930, also extended widely the practice of fixing value for duty purposes (and for levying of dumping-duties) by the following extreme section:

"If at any time it appears to the satisfaction of the Governor in Council on a report from the Minister that goods of any kind are being imported into Canada, either on sale or on consignment, under such conditions as prejudicially or injuriously to affect the interests of Canadian producers or manufacturers, the Governor in Council may authorize the Minister to fix the value for duty, of any class or kind of such goods and, notwithstanding any other provision of this Act, the value so fixed shall be deemed to be the

fair market value of such goods." An amendment of 1932 limited the powers of the subsection to goods not entitled to entry under a British preferential tariff, or any lower tariff, if such exists. A further amendment of 1936 provided for an appeal to the Tariff Board and made confirmation of these arbitrary valuations dependent upon proof of a necessity for them. During the length of the period of depression this section stood as a disturbing possibility in the background of almost every international trade transaction and in many cases became much more than a possibility when dumping duties and ordinary duties on an arbitrary valuation were levied.

By the legislation of 1930, anti-dumping duties, which had heretofore been applicable only to cases of export sales to Canada of goods of a class or kind made or produced in Canada, at prices actually below prevailing home prices, were made applicable to all cases where arbitrary valuations under the sections previously discussed, set a value for duty greater than invoice values. Although anti-dumping duties had previously been limited to 15 per cent *ad valorem* and had not been applicable if duties otherwise established were equal to 50 per cent *ad valorem*, this latter exemption was now dropped and the limit to these duties was raised to 50 per cent *ad valorem*.

By a new subsection of 1933, the whole machinery of arbitrary valuations and anti-dumping duties was applied to goods (of a class or kind made or produced in Canada) being imported from countries with depreciated currencies. The effect of this legislation was to regard the entire (later, in some cases, a diminishing part of the) apparent reduction in Canadian prices due to the foreign country's depreciation, as an export bonus, therefore subject to levy under anti-dumping legislation. Since, in many cases, a country's currency depreciation was accompanied by higher home prices than would have prevailed if there had been no such depreciation, the effect of this section was to increase still more above the nominal rates the burden of the Canadian tariff upon Canadians.

In summary, there has been a marked increase, during the depression, in rates and numbers of items on the tariff, but they have not exceeded in burdensomeness, the effect of the arbitrary valuations and anti-dumping provisions, which have made much importation impossible and nearly all importation burdensome and hazardous.

A 1936 amendment has liberalized these provisions very slightly, but, for the present purpose, it is sufficient to establish

that they were in force during the years of the hardest blows of the world's depression with regard to the west.

It must again be emphasized that apart from the question of raising the tariff in time of depression, even maintaining it at such time strikes the west with especial severity. Even if a Federal subsidy or some other compensation were worked out for the average excess burden of the tariff upon this area, over good and bad years, a case may be made out for some special reduction of the tariff or increase of other compensation during periods when this area is especially badly hit by world depression. This would, of course, involve a corresponding increase of the tariff or reduction of compensation in good times. This case is based upon the merits of a policy of "sharing the burden" in a federal state, some parts of which are subject to extreme variability of income.

It may be argued that the heavy burden of unemployment that did develop in the industrial provinces indicates that failure to increase or maintain protection in time of depression would have been even more disastrous to such provinces. We do not regard this as a valid argument. It seems to us that if the national policy adopted demanded that the only condition upon which the economy of the central provinces could be protected was by completely crippling that of the western provinces—in itself a blow at the preservation of stability in the east—then this in itself was sufficient condemnation of such policy. Surely if the nation was attempting to follow a price-maintaining policy, to keep production going, it was more important to devise some means of maintaining agricultural prices than to boost industrial prices still further out of equilibrium.

In connection with the foregoing, it is worthy of note that the rates of return for the capital and labour employed in the industrial provinces were higher than those enjoyed in the agricultural provinces. Thus the tariff, during the depression at least, was in the nature of a subsidy to maintain higher standards of living in the areas receiving the subsidy than could be afforded in the areas paying it.

We state this viewpoint, not with the intention of gratuitously criticizing Dominion policy, nor even with any wish to avoid paying our fair share of the unemployment relief burden resulting in part from what we regard as the mistakes in that policy. Rather we wish merely to indicate the excessive share that we bore in the burden of the special tariff-raising effort to combat unemployment, and to ask that we be allowed full credit for this overpayment.

As for the exact determination of what is our present actual economic burden arising from Dominion tariffs and tariff policies, and the comparison of this with the burden borne by other provinces, only when the net economic burden or benefit is known for all the provinces can we tell the extent of the total, and how much should properly rest upon each province. Recognizing, however, that the conclusions reached must depend upon the answer to several difficult problems as to what constitutes an economic burden or benefit of the tariff, we ask that our point of view on several of these problems should be taken into account.

A very rough idea of the burden is given by the list of tariff rates upon various standard goods entering into western consumption. Some of the conclusions of the Rogers' estimate follow:

TABLE VI.

COMPARISON OF TARIFF SUBSIDIES AND TARIFF COSTS BY PROVINCES AS ESTIMATED BY PROFESSOR N. M. ROGERS FOR 1931.(1)

PROVINCE	Enhancement of Business due to Tariff	Estimated Tariff Subsidies to Protected Manufacturers	Net Gain or Loss	
			Total	Per Capita
P.E.I.	$ 2,042,150	$ 467,992	—$ 1,574,158	—$17.88
Nova Scotia	15,784,124	9,487,493	—6,296,631	—12.28
New Brunswick	12,891,077	8,126,059	—4,765,018	—11.67
Quebec	101,171,562	132,867,447	+31,695,885	+11.03
Ontario	168,732,723	220,722,484	+51,989,761	+15.15
Manitoba	29,185,740	19,910,971	—9,274,769	—13.25
Saskatchewan	29,228,285	3,275,950	—25,952,335	—28.16
Alberta	27,909,396	8,211,148	—19,698,248	—26.93
British Columbia	37,737,247	22,378,571	—15,358,676	—22.33

(1) A submission on the Fiscal Disabilities of Nova Scotia within the Canadian Federation, presented by N. M. Rogers, Halifax, 1934, Chapter VIII.

While this computation was of great value in opening up the subject for the Canadian people, discussion by economists since 1931 has confirmed Professor Rogers' warning that it is not to be used for computing the exact burden of the tariff. Some of the ways in which this estimate should be increased or decreased to accord with our concept of the burden we bear, are mentioned below.

Professor Rogers takes 26/126 of the Canadian value of protected domestic production as the total mark-up due to the tariff. This rate is based on an average of customs rates paid on goods actually imported, which is of admittedly dubious significance in this connection, since we are interested mainly in the goods not imported but produced in Canada. Even if this were a good indi-

cation of the rate of duty existing on those goods which are effectively protected, i.e., those of which there are few if any imports, it does not take account, on the one hand, of the degree to which the price-raising powers given by the tariff are not fully employed, nor, on the other hand, of the degree to which administrative protective devices increase the nominal price-raising powers given by the tariff. The statistical item for value of protected domestic production is too large by possibly one-third, since many protected manufactured goods are materials for other protected manufactured goods. This estimate, on the other hand, includes neither the increase of prices of non-protected but "sheltered" domestic goods and services which have had to be raised in price because of the effect of the tariff on their costs, nor the increase in price of goods actually imported. The latter is, of course, a transfer from the payers to the Dominion Government and is a form of taxation; it is not commonly considered as part of the "burden of tariff" in the sense in which we have discussed it in this brief. The former, however, should be counted in. The total increase of costs due to the tariff is credited to the provinces in proportion to their relative retail purchases and charged against them in proportion to their output of protected domestic goods on the assumption that the average protection for the industries of each province is invariably 26 per cent.

In the Manitoba brief to the Royal Commission on Dominion-Provincial Relations, a direct estimate of the burden of the tariff upon the Prairie Provinces is attempted. This involves an actual comparison of the prices paid by a Manitoba farmer for his typical yearly purchase, with the prices paid by a nearby Minnesota farmer. We await the checking of this estimate also, by experts, but wish to express our point of view on a few aspects:

The following table is a condensed summary of the elaborate investigation, and indicates that the Canadian tariff costs the average western farmer about $110.00 annually:

Estimated Increased Cost Per Farm in Western Canada because of Tariff on Imports from the United States

Automotive Equipment and Fuel	$ 27.19
Machinery, Implements, etc.	18.45
Building Material	7.16
Household Equipment and Furniture	12.60
Clothing	24.41
Food	20.57
TOTAL	$110.38

There are approximately 290,000 farms in the Prairie Provinces. Assuming these figures to be accurate this means that the gross cost of the tariff to the Prairie farmers is approximately $32,000,000 a year and to the Alberta farmers about $11,000,000.

The weight of this burden may be judged by some comparisons. The Searle Grain Company calculates the average real property tax on western farms as about $70.00 per year, which indicates that the tariff burden exceeds the tax burden by over 50 per cent. The entire tax receipts of the Alberta municipalities, including cities, towns, villages as well as rural Governments, have been in the neighbourhood of $10,000,000 in the last decade. Thus the above estimated tariff burden on Alberta farmers equals the entire local tax burden.

It must be emphasized that the gross burden of the tariff on the farm population is only a part of the total gross burden on Western Canada. According to the 1931 census the farm population is about 50 per cent of the total population. If the tariff burden is the same on the non-farm dweller as on the rural population then the figures of $32,000,000 must be increased to $64,000,000 annually. But this method of calculation probably understates the extent of the gross burden since it is a matter of common knowledge that the per capita urban expenditures, including the per capita share of capital used in employment, are higher than farm expenditures. The tariff places a similar burden on such primary non-urban industries as mining, fishing and forestry, which Professors Grant and Upgren did not attempt to analyze, but which have been included in the non-farm dwellers, above.

It seems to us that the estimate of gross excess costs for the typical farmer in a normal year is probably too low, perhaps because of excessive moderation in computing it, and perhaps because prices were compared at a time when, due to a rapid rise of prices in the United States, American price levels had come closer to the Canadian than they had been for very many years, and than they probably will again when Canadian prices adjust themselves upward to correspond with higher American prices. Again, we feel that the estimate should be increased to take account of the fact that the cheapest alternative market to the home one, under Free Trade, would not always be the United States of America.

It has been suggested that these "excess costs" include a considerable sales-tax contribution by the Canadian farmer, which is not therefore part of the excess burden of the tariff. This is true to a certain extent, since American prices are not subject to any direct excise addition, comparable with our eight per cent sales tax. It must be pointed out, however, that the governing of the United States, its States and Municipalities does cost money, and some of this cost must be reflected in price-raising taxation of some sort. Probably, with the immense wealth of the U.S.A.

and the large economic surpluses available for taxation, the price-raising taxes are not nearly so high as in Canada, but something is undoubtedly present in American prices to correspond to part of our eight per cent. Of course, it is purely a matter for conjecture whether, under Canadian Free Trade (which is the state with which we compare our present lot), the U.S.A. would remit any considerable part of these price-raising taxes on exported goods. In any event, we would point out that even if the full sales tax payment by the typical farm of the Manitoba brief must be deducted, it is only approximately $29.00 (that is $7.03 per head for slightly over four persons).

It has been suggested, and we agree, that some part of this $110.00 per farm gross "excess cost" goes in actual payment of customs duties to the Dominion Government and is not, therefore, an excess cost in the sense that we have used in this brief or that used in the Rogers' estimate. While it must be credited to the Prairie Provinces as a part of our public finance payments, it must be deleted here. By rough calculation from the Canada Year Book, it would seem to amount to approximately $27.50 per farm.

From this total gross burden of the tariff upon Alberta, we must deduct whatever shifting of this burden is possible to Albertans through being "sheltered" or "protected". We have already indicated the small proportion of our producers engaged in the production of form utilities, who are in a position to pass any of their excess costs on to their customers. Of these, even many of the ones who are not selling in markets where the domestic price is determined by foreign prices, find it impossible to take much advantage of their shelter, since they are fairly well limited to the Prairie market.

Some question may arise concerning the part of the tariff's gross burden which is shifted by those in Alberta not engaged in producing form utilities. It is probably true that the tariff's burden upon the mercantile, professional, transportation and general service groups of the west is, in normal times to some considerable extent, passed on to the export-producer in the form of higher prices charged him for services, etc., or lower prices paid for his goods that have to be processed. However, we must note that, in depressed times, the "sheltered" producers of an area are compelled to share in large part in the fate of the major industry, so that it is probable that in the last seven or eight years the economic burden of the tariff upon the non-rural population has been per capita something fairly close to the economic burden upon the farmer.

We refer again to the undoubted fact that, in addition to all the above measured burdens, many producers of Alberta find themselves barred from overseas markets, and from the adjacent highly profitable American markets to which they would probably have access if they bought more from such areas. In exchange, the far-away overcrowded domestic market of industrial Central Canada is small compensation.

With these observations, we rest our case with respect to the tariff's burdens, asking only that in the Dominion's estimate of the size of this burden and the part we should bear, this viewpoint of the people of Alberta shall be duly taken into account. We suggest that the continuing burden over the years and the especial burden of the last few years be taken into account when responsibility for our present heavy indebtedness is being sought. We suggest that some compensation be planned for the future, if this burden is to continue.

SECTION III.

The Effects of Dominion Monetary Policy

NOTE: As is the case throughout Part I of this Brief, the subject matter of the following chapter on Dominion Finance is considered within the frame of reference of the financial system as it is operated at present. This is submitted without any endorsement of the existing system, and without prejudice to the very definite case for financial reform submitted in Part II of this Brief.

The monetary policy, or the lack of any monetary policy on the part of the Dominion Government, during the depression years operated with devastating effect upon the western provinces. By ignoring the internal economy and by permitting the external exchange value of the Canadian dollar to be influenced by that of the United States dollar, the effect was to link the internal situation in Canada to the disastrous effects of the depression in other countries and the major burden of this was thrown upon the producers of the western provinces.

In order to preserve a clear view in this matter, without permitting the many complicating factors involved to confuse the main issue, it is necessary to keep in mind the fundamental principles of foreign exchange. These have been shrouded in such mystery that too often their simplicity is hidden from the public.

All foreign trade is barter, in the last analysis. Money as such does not cross frontiers, though the transfer of credits from one country to another may give the impression that it does so. Goods exported from Canada are paid for either by goods

imported or go in payment of debt obligations incurred for goods obtained in some past period or are shipped abroad as foreign investment. For our purpose the latter can be ignored.

The Canadian exporter is concerned only with the Canadian dollar payments he receives for his products. Similarly the Canadian importer is concerned only with the payment he has to make in terms of Canadian dollars.

To gain something like a correct idea of the principles governing these exchange payments it is necessary to imagine a Canadian importer faced with the obligation of paying for the products he has obtained, from, say, Great Britain in sterling.

The Canadian exporter to Great Britain, having received sterling, wants Canadian dollars. The importer parts with dollars for the sterling in order to make his payments and both parties are satisfied—provided the exchange of dollar for sterling was on a basis acceptable to both parties in terms of dollar prices.

Actually banks provide the facilities for the financial exchange arrangements, but the principle is the same as outlined above.

Before passing on, it should be noted that payment for goods exported to meet debt obligations is adjusted internally, either by the transfer to the exporter of the proceeds from taxation or of money surrendered by an individual debtor, the transaction being carried out through the banking system.

Now, it will be evident that two factors will govern the exchange rate of the Canadian dollar, namely, the internal price level in relation to other countries' price levels, and the demand for Canadian dollar credits to pay for exports. A rise in the price level in Canada without a corresponding rise in the price level in Great Britain would depress the exchange value of the Canadian dollar in terms of sterling—all other factors remaining equal. Similarly a fall in the price level in Britain, without a corresponding fall in Canada, would tend to have the same effect —all other factors remaining equal. The resulting exchange values of the two currencies would reflect the differences in the relative price levels and thereby the internal position in Canada would be insulated from the effects of the changed price level in Great Britain.

But suppose in the latter instance that the previous relative exchange values of the currencies were maintained. The effect would be to link the internal price level in Canada with that of Great Britain. The exporter would receive less in terms of dollars for his product, and the importer would pay less for his purchases from that country in terms of dollars. The internal

price level would have to be adjusted accordingly and the effect would be deflationary.

The sole purpose of the foregoing illustration is to show that any internal disruption in the price level of another country which is not reflected by a corresponding adjustment in the exchanges would be expected to introduce those disrupting factors into the internal economy at home. It will be evident that failure to adjust the internal situation to falling world prices—particularly when such action was being taken by some countries—would also be reflected in a disorganization of internal prices, with all the dislocation this would entail.

Let us assume that in circumstances of a falling price level in other countries—resulting in dislocation of her industries on account of the low export prices of manufactured goods and the low prices of imports entering the country to compete with her products—Great Britain deliberately depreciated the exchange value of sterling and introduced a system of tariffs in order to meet the situation. The obvious policy for her to adopt would be to maintain stability of the internal price level so far as this could be achieved by means of a managed currency. Assuming that the downward trend of world prices continued, sterling would depreciate in terms of the old parity rate at approximately the same rate as world prices, in the same terms, continued to fall. This would give British exporters the advantage of securing stable sterling prices for their goods, and at the same time they would be able to gain the benefits of the falling price level in those countries which were sacrificing their internal economy in order to retain the parity exchange rate of their currencies.

It may be argued that this would be offset by the increased sterling prices which Great Britain would have to pay for her imports. But this argument overlooks the fact that the external price level—particularly in regard to primary products—would be falling steeply and, sterling depreciation being adjusted to this, the sterling prices of imports in Great Britain would be relatively stable—with a tendency to increase only in respect of those goods, the prices of which had not followed the general downward movement.

The foregoing hypothetical illustration is a broad outline of the policy which was, in fact, pursued by Great Britain after her departure from the gold exchange standard in September, 1931.

Before proceeding to consider the effect this had upon Canada, it is necessary to go back to the disastrous wheat crop year of 1930-31, when the collapse of wheat prices precipitated a crisis in the western provinces. The average July price for No. 1 wheat at Fort William dropped to 57 cents. To arrive at the

price to producers in Alberta, an average of 17 cents a bushel for freight charges must be deducted. Handling charges and threshing costs would account for a further 7 cents. Deducting these costs from the average price at Fort William, the balance of 33 cents represents the average July price to Alberta farmers in that year.

While it is difficult to estimate the cost of production of wheat with any degree of accuracy, it is certain that in no circumstances can it be produced at anything like 33 cents a bushel—even excluding the debt charges which usually constitute such a heavy proportion of the wheat farmers' "overhead".

To aggravate the situation, the former dominant position occupied by Canada as an exporter of wheat to Great Britain was being challenged by Australia and Argentina, whose depreciated currencies gave them an advantage in competing with Canadian wheat. Instead of retaining her former one-third of the British market, Canada's share dropped to one-quarter. This should have served as a danger signal to the Dominion Government as to the effects which would arise from the monetary policy subsequently maintained when Great Britain departed from the gold exchange standard in the following year.

However, the worst feature of the catastrophic fall in wheat prices in 1930 was the impact of its effects on the debt situation in the western provinces. It is probable that most of the debts of Alberta wheat farmers were contracted over a period during which the price of wheat averaged about $1.25. The fall in the price of wheat to about 33 cents had the effect of almost quadrupling his debt charges. Few of these debts carried interest at a lower rate than 8 per cent—and a farmer paying 8 per cent on a debt contracted when wheat was $1.25 found that, in terms of his production, the interest payments he was expected to make were increased to about 30 per cent per annum with wheat at 33 cents a bushel. The unjust nature of the circumstances which forced him into this position was not lost on the western producer, for whom this type of "sacred contract" assumed a new meaning.

In September, 1931, Great Britain departed from the gold exchange standard in favour of a managed sterling currency. Instead of joining the sterling bloc which formed as a result of this action, the Dominion Government in permitting the banks to maintain a rigid and deflationary credit policy, allowed the external exchange value of the Canadian dollar to be governed by the U.S. dollar.

The following table of wheat prices for the crop years 1931-32, and 1932-33 express eloquently the disastrous effect which this failure to provide a proper monetary policy had on western producers:

MONTHLY AVERAGE PRICES OF WHEAT ON THE WINNIPEG MARKET

(Basis No. 1 Northern in Store Port Arthur or Fort William)

1931-32	Price in Canadian Currency	Gold Equivalent Price	Sterling Equivalent Price
August	$ .55.1	$ .54.93	$ .55.06
September	.53.6	.51.50	.55.29
October	.59.9	.53.13	.67.01
November	.67.3	.60.01	.78.54
December	.60.6	.50.04	.72.24
January	.60.0	.51.03	.72.64
February	.63.2	.54.93	.77.87
March	.63.1	.56.29	.75.54
April	.62.6	.55.95	.73.10
May	.62.9	.55.29	.73.67
June	.55.1	.47.61	.63.85
July	.54.7	.47.66	.65.41
1932-33			
August	$ .56.3	$ .49.36	$ .69.10
September	.51.9	.46.91	.65.78
October	.48.2	.43.91	.63.06
November	.46.7	.40.70	.60.57
December	.42.4	.36.91	.54.59
January	.44.2	.38.81	.56.05
February	.45.8	.38.23	.54.46
March	.49.1	.40.87	.57.96
April	.53.6	.43.39	.61.81
May	.63.3	.47.26	.68.65
June	.66.8	.48.85	.70.67
July	.83.4	.56.55	.82.62

In defense of its lack of a definite policy, the argument advanced by the Dominion Government might be that, faced with the alternative of obtaining the advantage of the British market for its exports without wrecking the internal economy of the country, or of meeting heavy payments to the United States, in terms of a dollar having a high exchange rate in relation to the U.S. dollar, chose the latter as the lesser of two evils. By leaving the situation to take care of itself, the Dominion Government allowed the financial institutions to control it as they liked, and the monetary policy inflicted on the nation was that which suited those institutions.

This latter alternative will not bear examination. In the final analysis, payments to the U.S.A. had to be made in goods. Owing to the fall in prices in terms of the U.S. dollar, the dead weight of debt in terms of products was increased; in any event the linking of Canadian currency to the U.S. dollar transferred the greatest portion of this additional burden to the western producers of primary products, and in affording protection to eastern manufacturers at the same time, the Dominion Government not only imposed upon the west the chief burden of meeting the

dislocation of external conditions, but they expected the western producer to subsidize the eastern manufacturer, and the railways as well. As in any event, the cost, in terms of production, of servicing external debts to the United States was increased, surely payment would have been rendered easier by giving exporters the advantage of a depreciated dollar. Moreover this would have resulted in the additional burden being more evenly distributed.

Is it surprising then, that the economy of the west was wrecked to a degree from which it can never recover without readjustments to make good the damage done to it during those years? Western producers were forced to sell their products considerably below cost; they had to meet debt obligations which in terms of their production often amounted to about one-third of the principal owed by way of annual interest alone, and they received no return for their products to meet these charges. Nevertheless, they were expected to pay high protected prices for their machinery and household goods, increased as these were by the maintenance of high freight rates. Alberta suffered the most by virtue of being a comparatively young province, which was rapidly settled and therefore had relatively heavy external obligations to meet. Also she suffered since, being at the peak of trans-continental freight rates, she had to shoulder the resulting adverse effects on the prices of both her exports and her imports.

The fall of wheat prices (No. 1 Northern cash) to less than 40 cents at Fort William was the climax of this disastrous policy —or rather lack of policy. The net return of about 15 cents a bushel to the Alberta farmer, meant that on an 8 per cent loan contracted when wheat was $1.25, he was expected to pay about 65 per cent in terms of production—but the price he received for his product was but a fraction of the costs of its production. On what grounds can any policy which produced such results be justified? The injustice of the Dominion Government's failure to meet the need of the nation as a whole is apparent when the plight of the western wheat producer is compared with the advantage secured by the pulp and paper industry.

Although the Canadian dollar was at a premium with respect to the British pound, it fell to a discount under the United States dollar. The pulp and paper industry, finding its export market in the United States, was able to sell its product in a market where the exchange situation yielded a profit. The following is quoted from an article on the pulp and paper industry by E. A. Forsey, printed in the Canadian Journal of Economics and Political Science, Volume I., No. 3, August, 1935, on page 501:

> "The Canadian wheat grower has had to contend against the vagaries of nature, against foreign tariffs, quotas, and other such restrictions, against a considerable expansion of home production in his chief markets, and against the formidable competition of exporters from countries with depreciated exchanges. The Canadian newsprint manufacturer, on the other hand, faces no such obstacles. On the contrary, he has free entry into the United States market and, until the worst of the depression was past, enjoyed the advantages of a depreciated exchange, netting him at times as much as $8.00 a ton, and an average of $3.00 in 1933."

Had the Dominion Government acted in 1930 to insulate, so far as it was possible, the internal economy from the effects of the external phenomena of approaching economic depression, the subsequent history of Canada would have been different. This could have been achieved by deliberately inflating the currency so as to maintain a relatively stable internal economy.

The external exchange value of the Canadian dollar could have been allowed to depreciate as world wholesale prices, in terms of gold exchanges, continued to fall. The additional monetary inflation required to adjust the internal position could have been applied in part to subsidize imports, in part to regulate internal prices, and in part to meet additional taxation required for external debt payments. Moreover, tariffs could have been reduced or abandoned, imports being regulated by the granting or withholding of subsidies. It would be ridiculous to suggest that the application of such a policy would have been impossible or even difficult.

Under the circumstances, the complete collapse of the economy of the western provinces, which followed, was inevitable. However, it was not in the nature of things; no inexorable law was responsible. It was due entirely to the failure of the Dominion Government to meet the requirements of the situation by means of a definite monetary policy.

Even if the alternative policy outlined above is rejected, the stark fact remains that a policy which sacrificed one section of the nation to benefit another, with such devastating results to the former, must have been fundamentally wrong.

In a confederation the results of such national tragedies should not be foisted on one section of the nation. In fairness, all should share in the evils of a calamitous error on the part of the central government. Recriminations for past mistakes are useless. The only purpose of bringing the matter forward is to secure co-operative action to redress the injustices of the situation which have been created. And in any readjustments, the eastern provinces should take cognizance of the fact that whereas they

were largely protected from the effects of the economic havoc of the worst depression years, their sister provinces in the west not only bore the full brunt of the situation, but also contributed in no small degree towards affording the eastern manufacturers the protection they enjoyed.

BANK OF CANADA

Many felt that, with the formation of the Bank of Canada in 1935, the errors of the past would be rectified. However, judging from the operations of that institution to date, it would seem that little hope lies in that direction. The recent action of the Dominion Government in nationalizing the Bank of Canada has been hailed as a forward step. Actually the nationalization of the bank means nothing, if it is to pursue the same policy which it has followed since its inception.

Without concurring in the orthodox considerations governing the purpose for which the Bank of Canada was established and the principles purported to be necessary for its operation on a sound basis, it will be shown that, judged even by these standards, the Bank of Canada has not fulfilled the purposes for which it was instituted.

The Bank of Canada was brought into being as a result of the report made to the Dominion Government by the Royal Banking Commission in 1933. In the briefs presented to that commission it was generally held that a national or central bank should be established in Canada, and that it was essentially in the interests of the economic welfare of the Dominion as a whole. The brief submitted to the Commission on behalf of the Province referred to:

(1) Interest Rates;
(2) Agricultural Credit;
(3) The Desirability of the Establishment of a Central Bank;
(4) Exchange and Monetary Policies in Relation to Export Business.

With respect to government finance, it was shown that during the period when prices for agricultural products were at their lowest and governments, particularly those of western provinces, were hard pressed to secure funds to carry on the essential services of government, including provision for unemployment, interest rates were actually increased. Maturing debenture issues could be refunded only at rates in excess of six and one-half per cent; and it was then the concensus of opinion that the establishment of a Central or National Bank could and would bring about

lower interest rates generally, and enable governments to refund maturing obligations at reasonable rates of interest.

The Royal Commission in its report to His Excellency, the Governor General in Council, recommended:

(1) "That a Central Bank for Canada be forthwith established.

(2) "That an inquiry be instituted by the Dominion Government, preferably with the co-operation of the provincial governments, to investigate the existing organizations for the provision of rural credit with a view to the preparation of a scheme for the consideration of Parliament."

In the appendix to their report suggestions were made as to some of the main features of the constitution of a Central Bank of Canada; and your attention is directed to the following:

(1) NOTE ISSUE: "The Central Bank is responsible for the control of the volume of credit and the maintenance of the stability of the value of currency. This responsibility connotes that the bank should be granted the sole right of issuing currency (other than coin), for it would be intolerable that the Central Bank's policy should be hampered by the action of other issuing authorities in a country . . ."

(2) "The bank should be the banker of the government; and if possible, the provincial governments, because by concentrating the receipts and payments on government accounts the Central Bank could take steps to prevent any undue effect on the credit situation which might otherwise result from an uneven flow of revenues . . ."

(3) "The bank should take over the issue and management of the public debt of the Dominion Government (and possibly of the provincial governments)."

(4) "The bank should concentrate the gold holdings of the country. The normal effective reserve of a Central Bank is the amount of its reserve in excess of its legal minimum. It is now widely recognized that in order to allow Central Banks a large measure of freedom, their minimum legal reserve proportion should be relatively low; and recently at the World Monetary and Economic Conference it was recommended that such minimum legal reserve should not exceed twenty-five per centum."

The Bank of Canada Act was assented to on July 3rd, 1934; and it is of interest to note the purpose of this legislation, which is set out in the preamble to the Act:

"Whereas it is desirable to establish a Central Bank in Canada to regulate credit and currency in the best interests

of the economical life of the nation, to control and protect the external field of the national monetary unit and to mitigate by its influence fluctuations in the general life of production, trade prices and employment, so far as may be possible within the scope of monetary action and generally to promote the economic and financial welfare of the Dominion."

The bank commenced operations on March 11th, 1935; and since that time the gold reserves against currency and bank credit have been in the custody of the bank. The Bank of Canada assumed the liability for Dominion notes outstanding; and the chartered banks were required under The Bank Act of 1934 to reduce the issue of their own bank notes over a period of ten years to an amount not in excess of twenty-five percentum of their paid-up capital as at March 11th, 1935. The chartered banks were also required to maintain deposits with the Bank of Canada as a reserve of an amount not less than five percentum of their deposit liabilities in Canada. The Bank of Canada was given the right to make advances to governments, both Dominion and provincial, and to chartered banks; also authority to purchase securities issued by the Dominion and provincial governments.

It is unnecessary here to detail the powers vested in the bank under the Act authorizing its creation. It is generally accepted that the powers conferred upon it by Parliament are sufficiently comprehensive to enable it to carry out the main purposes for which it was instituted.

A period of three years has elapsed since it commenced operations; and we suggest that it is not only reasonable, but it is essentially in the interests of Canada as a whole to consider to what extent the bank has by its operations promoted the economic and financial welfare of the Dominion. It is a reasonable question to ask what has it done to assist the governments of Canada in meeting the burden of unemployment imposed by our present economy and in lowering the costs of government financing by the regulation of currency in accordance with credit requirements. We first review a number of the weekly statements issued by the bank.

The bank commenced operations on March 11th, 1935; and we draw attention to the statement of assets and liabilities of the bank as at March 27th, 1935. Total assets amounted to $271,-484,290; notes in circulation, $97,080,085; reserves of $115,591,-986 included $106,585,310 of gold coin and bullion; investments (Dominion securities) totalled $154,337,655. It should also be noted that the ratio of net reserve to note and deposit liability was 43.43 per cent.

A survey of the succeeding statements will show practically no material change until July 10th, 1935, when total assets were

shown as $306,583,434. The reserve totalling $195,474,623 included gold coin and bullion to the value of $180,179,470 — an increase of some $74,000,000, due almost entirely to the re-valuation of gold at the prevailing market price. Notes in circulation totalled $76,882,077. It should be mentioned that while the gold was taken over from the chartered banks by the Bank of Canada at the old valuation, the Government of Canada received the benefit of the revaluation of approximately $63,000,000; and this amount was to constitute a fund to be used for the equalization of exchange. A decrease of about $55,000,000 is shown in investments; and it can be assumed that these securities were transferred to the exchange fund. The net reserve ratio to notes and deposit liabilities increased from forty-three per cent to sixty-four per cent; and it should be rememebered at this point that the bank is required to maintain a reserve of gold equal to not less than twenty-five per cent of its total note and deposit liability in Canada. The effect of the revaluation of gold enabled the bank to increase its reserve from forty-three per cent to the sixty-four per cent mentioned.

Approximately a year later the statement of the bank as at July 31st, 1936, showed little change. Total assets amounted to $313,363,829—an increase of $7,000,000; the reserve totalled $194,495,061—a decrease of $1,000,000. Gold held was valued at $179,563,567—a decrease of approximately $500,000; the notes in circulation totalled $100,041,173; and the reserve to its note and deposit liability amounted to 63.66 per cent. Again one year later, the statement of July 31st, 1937, showed total assets of $352,071,976. The reserve totalled $201,787,197, of which $179,525,398 consisted of gold coin and bullion—a decrease of $600,000 as compared with the value of gold coin and bullion held on July 10th, 1935. Notes in circulation totalled $138,919,574; and the reserve was 59.52 per cent of the note and deposit liability.

Turning now to the statement of March 30th, 1938: Total assets were somewhat higher, namely $383,525,606; the reserve, $206,147,121; and we particularly draw attention to the fact that the gold coin and bullion shown at $180,639,840 showed little change from the amount shown at the time the gold was revalued. The reserve again amounted to 55.60 per cent of notes and deposit liability.

A complete statement of the assets and liabilities of the bank since its inception is appended. This gives the average weekly figures. A summary of the main items is as follows:

Average of Weekly Figures, 000,000 omitted	Deposits by Chartered Banks	Active Circulation	Total Assets	Gold on Hand	Total Reserve	Ratio Reserve	Dominion and Provincial Securities
1935— 9 months	213.7	48.9	294.	154.6	166.2	57.87	119.6
1936— 12 months	225.2	64.0	322.	179.7	192.9	61.69	123.2
1937— 12 months	239.9	91.8	372.2	182.	204.8	57.11	162.2
1938— January	254.6	99.7	386.7	179.7	199.	53.38	180.9
1938— February	245.3	98.6	381.3	180.	203.4	55.26	173.1

The infinitesimal changes after three years of operation might be considered satisfactory from an orthodox standpoint if more normal conditions prevailed in Canada, and if some of the major problems affecting the economic welfare of the people had been partially solved, but the distress of the country, due almost entirely to financial causes has been acute during the whole period. It is not our purpose to suggest that the Bank of Canada can solve all the vexatious problems confronting governments in Canada, but we do submit that the bank was brought into being to alleviate some of the effects of the depression years by controlling the issue of credit and currency in terms of public need. The changes in the bank statement we submit are normal changes and do not indicate that the bank is following a truly national policy.

The deposits of the chartered banks with the Bank of Canada fluctuate as their liabilities to the public increase or decrease, and the increase of some $32,000,000 in this item can only be considered a normal increase. Circulation of the Bank of Canada notes shows an increase of about $50,000,000, it is true, but this is almost entirely accounted for by the replacement of Dominion notes with Bank of Canada notes and the reductions in chartered bank note issues required by the Act. The amount of gold held shows practically no change after the revaluation of gold made in 1935, notwithstanding the production of gold in Canada since the Bank of Canada commenced operations; and we will deal with this particular phase later. The ratio of reserve to note and deposit liabilities also shows little change.

CHARTERED BANKS

An examination of the statement of assets and liabilities of the chartered banks will show that no marked change has taken place as a result of the functioning of the Bank of Canada,

although it is generally admitted that a Central Bank may create additional cash, and by its operations expand or contract credit.

Cash Reserves—Chartered Banks

The total cash reserves of the chartered banks from 1926 to 1936 by years are as follows:

1926	$192,000,000
1927	187,000,000
1928	193,000,000
1929	191,000,000
1930	176,000,000
1931	169,000,000
1932	172,000,000
1933	189,000,000
1934	201,000,000
1935	213,000,000
1936	225,000,000

(Page 892, 1937 Canada Year Book.)

Total Assets—Chartered Banks

The total assets of the chartered banks for the years 1929 to 1936 are as follows:

1929	$3,528,468,027
1930	3,237,073,853
1931	3,066,018,472
1932	2,869,429,779
1933	2,831,393,641
1934	2,837,919,961
1935	2,956,577,704
1936	3,144,506,755

(Page 899, 1937 Canada Year Book.)

Note Circulation—Canada

The note circulation available to the public for the years 1926 to 1936 are given herewith:

Year	Chartered Banks	Dominion or Bank of Canada	Total	Per Capita Average Daily Figures
1926	$168,885,995	$26,314,706	$195,200,701	$20.63
1927	172,100,763	27,793,500	199,894,263	20.55
1928	176,716,979	28,803,340	205,520,319	20.74
1929	178,291,030	30,003,870	208,294,900	20.44
1930	159,341,085	28,812,059	188,153,144	18.12
1931	141,969,350	28,572,011	170,541,361	16.09
1932	132,165,942	28,483,686	160,649,628	15.04
1933	130,362,488	29,066,051	159,428,539	14.70
1934	135,537,793	30,547,720	166,085,513	15.06
1935	125,644,102	47,288,651	172,932,753	15.45
1936	119,507,306	66,934,958	186,442,264	16.50

(Page 891, Canada Year Book, 1937)

These figures conclusively show that no appreciable changes have taken place as a result of the operations of the Bank of Canada. Total notes available to the public show practically no

change since the inception of the Bank of Canada notwithstanding the fact that on a per capita basis there is a decrease of practically 20 per cent, as compared with the year 1929, a condition which seriously affected the purchasing power of the public.

Much has been said, and we are continually hearing warnings as to the effect of inflation by the issue of additional currency. The fact remains that no attempt has been made to rectify the unsatisfactory situation; no appreciable change has taken place to date. The gold reserves of the Bank of Canada are much in excess of the minimum required by The Bank of Canada Act and the percentage recommended at the World Monetary and Economic Conference. We submit that a financial system under which the shortage of credit facilities and of purchasing power is so apparent as in Canada, stands condemned if its administrators seriously contend that any attempt to make good its defects would result in the chaotic results of inflation.

Bank of Canada Reserve

It is apparent from the figures given that the Bank of Canada has had no difficulty in maintaining a gold reserve substantially in excess of the minimum required. At the same time it has refused to purchase any appreciable portion of the gold produced in Canada, which it could have done with its own notes at practically no cost. Credit could have been issued against this gold, payable in currency, and by the issue of currency against a reserve of gold, interest rates might have been controlled in the best interests of the nation's economy. While it is becoming generally recognized that the idea of basing money on gold is a relic of ancient superstition, yet even according to the principles advocated by its supporters, the Bank of Canada has failed to make use of the advantages of the gold production of the nation.

Since 1933 the newly mined gold has been readily absorbed by other Central Banks throughout the world and it is only necessary to mention the concentration of the huge reserves of gold in the United States which are now being used as a basis of credit and note expansion. It might be asked if the United States with its tremendous wealth and reserves has found it advisable and in the national interests to increase and conserve its gold reserves, why does not Canada follow a similar policy, at least to some extent? It cannot be said that in Canada we are in such an enviable or fortunate position that we can afford to permit the export of all the gold produced in Canada; and it is reasonable to assume that so long as we are going to accept gold as the basis of currency and credit issue, some portion of the new production should be conserved in the national interests.

GOLD PRODUCTION IN CANADA

The value of gold produced in Canada for the years 1931 to 1936 follow:

Year	Value
1931	$ 58,093,396
1932	71,479,373
1933	84,350,237
1934	102,536,553
1935	115,595,279
1936	130,847,733

(Page 364, Canada Year Book, 1937.)

GOLD EXPORTS

In view of the production of gold in Canada, it is essential to note the amount of gold exported during the past few years; and these figures are given in the following statement:

Year	Value Non-monetary Gold
1933	$ 79,000,000
1934	110,000,000
1935	117,000,000
1936	132,000,000
1937	145,000,000

Under The Bank of Canada Act the bank may, among other things, buy and sell gold, silver, nickel, bronze coin, and gold and silver bullion; and gold can only be exported from Canada with the permission of the Minister of Finance. It therefore follows that the Bank of Canada, had it so decided, could have increased its gold reserves at will by the mere issue of its own notes, thus providing the statutory backing required for a very substantial increase in the note issue.

BALANCE OF TRADE AND EXTERNAL PAYMENTS

It might be argued by some that the export of gold from Canada was necessary in order to maintain a balance of trade in favour of Canada, and that the value of our exports was insufficient to meet our import commitments and our external debt payments; and had the gold not been exported, it would have been difficult to service our external debt payments and maintain the value of our currency in relationship to sterling and the United States dollar.

Dealing first with the balance of trade, according to figures compiled from Trade of Canada, Dominion Bureau of Statistics, total merchandise exports and imports for the years 1933 to 1937 were as follows:

Year	Imports	Exports	Excess of Exports Over Imports
1933	$401,000,000	$ 609,000,000	$208,000,000
1934	513,000,000	759,000,000	246,000,000
1935	550,000,000	842,000,000	292,000,000
1936	635,000,000	1,070,000,000	435,000,000
1937	809,000,000	1,143,000,000	334,000,000

It is difficult and almost impossible to secure accurate figures regarding external debt payments. However, in 1936 the net amount required to retire issues payable in other currency totalled approximately $202,000,000, and this included optional payment bonds, many of which we undoubtedly hold in Canada. Some allowance should also be made for the transfer of capital, and this has been estimated by the Bank of Canada officials at about $145,000,000. Balance of trade in favour of Canada in 1936 of $435,000,000 was, therefore, more than sufficient to meet our external obligations. In 1937 a so-called favourable trade balance of $334,000,000 was available to meet external debt payments of some $230,000,000. With respect to international payments, the governor of the Bank of Canada, in his address to the shareholders of the bank in February, 1938, said in part:

> "After the very favourable balances, such as we had in 1935 and 1936, one would in any case expect a tendency towards their reduction, even if our exports continue to grow as they have done."

It is reasonable to conclude, therefore, that Canada did not face a problem arising from an adverse balance of trade during the past three years.

EXCHANGE VALUE OF CANADIAN DOLLAR

In relationship to the United States dollar, our Canadian dollar throughout 1936 and 1937 maintained a close parity, and fluctuations with the pound sterling ranged from three to four per cent. In 1936 a monetary agreement between France, Holland and Switzerland, and also a tri-party agreement between Great Britain, the United States and France did much to narrow the fluctuations in exchange. In Canada we also had a stabilization fund of about $63,000,000 arising from the revaluation of gold available in case of need for the purpose of stabilization.

INTEREST RATES—GOVERNMENT FINANCE

Since its inception the Bank of Canada has acted as fiscal agent for the Dominion Government, and comparative statements showing the yield of Dominion securities, particularly the long term maturities, is in line with bonds of the United Kingdom, and the United States. While there have been minor fluctuations in

the market value of these securities, the holdings of the bank show little fluctuation, indicating that little market support by the Bank of Canada was necessary.

DOMINION TREASURY BILLS

Short term treasury bills of the Dominion Government to the amount of $150,000,000 were outstanding at the end of 1937, and the average tender rate during the year was .715 per cent for three-month bills. The policy in Canada has been to resort to the sale of medium or long term bonds, the cost ranging from two per cent to slightly over three per cent. With an internal Dominion debt of between two and one-half and three billion dollars, we offer the opinion that a substantially greater amount than $150,000,000 of the debt could be safely carried in short term bills; and in this way the cost of carrying the Dominion debt could be substantially lessened. It is quite true that by refunding operations the carrying charges of the debt of Canada have been substantially reduced in the past four or five years; but it cannot be said that we have gone as far as possible in this direction.

There is no doubt that for a period of years Canada has suffered through a policy of rigid interest rates, and throughout the years of depression carried an excessive burden of interest charges due to this policy. Since the inception of the Bank of Canada it would appear no national policy has been put into effect to alleviate these conditions. We would submit that the statements referred to on the other hand would indicate that there is an assumption that it has fulfilled its functions, at least in so far as the Dominion Government is concerned, and that there has been no necessity to consider the interests of Canada as a whole.

PROVINCIAL FINANCE

Prior to the inception of the Bank of Canada in 1935, the western provinces particularly were faced with difficulty in refunding maturing debenture issues at reasonable rates of interest, nor could they secure funds by the sale of debentures at reasonable rates for the purpose of meeting the costs of unemployment relief. The Dominion Government recognized the fact that funds must be made available for this purpose, and other chapters of this Brief show the amount of assistance given by way of loan from the Dominion treasury.

In March, 1936, the Province of Alberta made efforts to secure funds to meet a debenture issue of $3,200,000. The Bank of Canada was not prepared to make this advance, and the conditions stipulated by the Dominion Government were not acceptable to the Government of the Province, therefore default in payment resulted. Subsequently the Province of Ontario negotiated

with the Bank of Canada for a loan of $10,000,000 which was not completed. The Province of Manitoba, facing similar difficulties, secured no assistance from the Bank of Canada, but as a result of the bank's report on its financial position, received a special grant from the Dominion Government. Otherwise, it is said, they would have been forced to default. However, we find that the statement of April 30th, 1936, of the Bank of Canada shows that an advance of $2,000,000 was made to the Province of Saskatchewan and a further advance of $1,000,000 is shown on their statement of May 30th, 1936. These advances enabled the Province of Saskatchewan to meet debenture issues maturing on May 1st and June 1st, 1936.

Our purpose in commenting on these facts is simply to support the statement that the Bank of Canada, while a national institution and created for the purpose of administering the volume of credit and currency in Canada, has not pursued a policy in the national interests of Canada as a whole. Its failure to do so is jeopardizing the credit structure of the nation and is leaving the bank open to the criticism that its actions are governed by political and other partisan considerations.

CONCLUSION

A monetary policy administered in the interests of the nation is essential in Canada. National credit should be available for purposes national in character regardless of the boundaries of provinces, and without prejudicing the rights of the provinces to make full use of their own resources. The building of a Trans-Canada highway, for instance, surely should be dependent solely upon the agreement of the provinces affected, and not upon a demand that each should finance its portion of the cost. Is it logical or reasonable that Canadians motoring across Canada should be required to use United States highways owing to the road conditions in certain provinces? Again is it logical that a mountainous province like British Columbia should be expected to pay many times more for her section than a prairie province—and be penalized for her topography. Moreover, housing projects, unemployment and the refunding of the provincial debt in an equitable way are all dependent upon the adoption of a monetary policy administered in the national interest.

We believe that the figures we have quoted, obtained from such unimpeachable sources as the bank's own statements and the Dominion Bureau of Statistics, definitely indicate that the bank has adopted a restrictive and ultra conservative policy; that it has maintained gold reserves at least one hundred percentum

in excess of the minimum requirements, according to the principles of the system it is operating and, in addition, has permitted the unrestricted export of the gold production of Canada which, under a gold-basis monetary system would have justified an "easy-credit" policy to be pursued, if justification was wanted.

We must conclude, therefore, that the bank itself has undertaken no effective measures to promote the economic and financial welfare of the Dominion, and there is no evidence that it intends to counsel or inaugurate any truly national monetary policy in Canada.

CHAPTER VIII.

The Problems of Markets

SECTION I.—COAL

The Canada Year Book, 1937, commences the section dealing with the coal industry of Canada with this comment:

"The fuel situation of Canada is somewhat anomalous, as in spite of the enormous resources of coal in the country, about 50 per cent of the consumption is imported. The Canadian coal areas are situated in the eastern and western Provinces, while Ontario and Quebec are more easily and economically supplied with coal from the nearer coal-fields of Pennsylvania and Ohio. The anomaly of the situation is accentuated if we consider that Canada's present coal consumption is about 30 million tons annually as against reserves of 1,234,289,000,000 metric tons, sufficient for an unthinkably long period at the present rate of consumption."

The people of Alberta can see no reason why this anomaly should continue. They are convinced that a proper consideration of the whole problem of Canada's coal resources and coal consumption would result in some policy being formulated which would permit of a greater development of these most important natural reserves without placing any increased burden upon the consumers of coal in the Dominion.

Probably the earliest record of the occurrence of coal in this Province was that made by Sir Alexander McKenzie, in 1789, when he reported that he found a coal seam on Great Bear River. He also refers to a seam which he discovered on the Red Deer River in the vicinity of the present Drumheller field. In the succeeding years a number of explorers and surveyors made references in their reports to coal occurrences in various parts of the Province. It is a matter of interest, however, that when the first transcontinental railway line reached the Rocky Mountains the coal used was from Ohio. About 1881 the first coal seam was opened at Lethbridge, and in the following two years mines were opened at Anthracite and Canmore. In succeeding years development work proceeded rapidly in the various coal producing areas of the Province. The Department of Geology of the University of Alberta and the Research Council of Alberta have made a very extensive study of the coal reserves

of the Province, so that the various occurrences and the extent of the reserves are now fairly definitely known.

The bulk of Canada's coal reserves, bituminous, sub-bituminous and lignite, is in Alberta and represents a noticeable percentage of the world's visible supply. When one reflects that Alberta has eight times the coal reserves of Great Britain which produces over 250 million tons annually, whereas Alberta only produces approximately 6 million tons, it is not difficult to see that the one essential problem facing the coal industry is that of restricted markets.

Alberta has three distinct coal measures, the Kootenay, the Belly River or Saunders, and the Edmonton. The Kootenay series is situated along the foothills of the Rocky Mountains from the south to the north of the Province. The coals in this series range from bituminous to semi-anthracite. The producing areas in the Kootenay measure are the Crows Nest Pass, the Cascade area west of Calgary, the Nordegg area west of Red Deer, and the Mountain Park area west of Edmonton. The Belly River series extends over practically the whole of the southern half of the Province and the coals in this area range from sub-bituminous to lignite. The producing areas in this series are the Saunders area west of Red Deer, the Coalspur area west of Edmonton, the Lethbridge area in the vicinity of the city of Lethbridge and the Redcliff area in the vicinity of Medicine Hat. The Edmonton series overrides the Belly River series in the central part of the southern half of the Province. The coal produced from this series is black lignite bordering on sub-bituminous. There are a number of producing areas in this coal measure, the principal ones being in the vicinity of the following places: Edmonton, Drumheller, Carbon, Tofield, Camrose, Big Valley, Sheerness and Ardley.

Table IX of Chapter II sets out the annual production in tons for the five year periods between 1906 and 1926, and the annual production since that year as well as the value in dollars of this production. Reference to that table shows that the peak year of production was in 1928 when 7,334,179 tons were produced with a value of $23,532,414.00. During the years of depression the tonnage fell very considerably as did the price value of the production.

In 1931, a low mark of 4,564,290 tons was made, but in more recent years the tendency has been upward resulting in a production in 1937 of 5,551,682 tons valued at $14,434,969.00. Statistics show the decline in sales to be attributable to two main factors:—loss of trade in the Province of Saskatchewan amounting

to roughly half a million tons, and decreased yearly sales to the extent of over one million tons to the railways.

What a loss in value of $9,000,000.00 means to the people of Alberta due to the large decrease in wages earned as a result of the decrease of the coal output and depreciation in price, is self-apparent and need hardly be emphasized.

Table I at the end of this section indicates the distribution of sales of coal to the various available markets from the year 1915 to the year 1936. A reference to this table is important as showing, first, the various markets now available for this important product, and secondly, the record of sales year by year to these markets.

As shown in a previous chapter, Alberta has very large reserves of natural gas and this commodity is in active competition with coal for domestic purposes, but there has been very little variation throughout the years in the quantity of coal used by the people of the Province.

The development of large scale stripping operations near Estevan, in the Province of Saskatchewan, where low cost production has been obtained, resulted in strong competition for Alberta coal not only in Saskatchewan but also in Manitoba and largely accounts for the decrease in the sales in the former Province since 1928. The development in Saskatchewan has increased from 450,000 tons in 1924 to over 1,000,000 tons in 1937.

The use, by the Province of Saskatchewan, of coals taken from mines operating within the Province for relief recipients has largely contributed to the loss of sales for Alberta coals.

It will be observed also that the peak year for sales in the Province of Manitoba was in 1927 when 612,542 tons were sold. Since that date sales have declined to the low point of 391,132 tons in 1934. Several factors have contributed to this result. Manitoba is a highly competitive market; Alberta coal meeting the competition not only of Saskatchewan coal but also coal from the United States. During the years of depression substitute fuels have been used to a considerable extent and in addition centralized heating has been developed to a substantial degree in the city of Winnipeg.

The statement of sales in the United States warrants particular attention. It will be observed that in 1920 the sales amounted to 152,610 tons, having steadily increased from 1915. From that date the sales have steadily decreased reaching a low point of 13,739 tons in 1934.

Efforts have been made to develop a market in the cities of Spokane and Seattle, and in Northern Montana and North Dakota,

as the mines in the Crows Nest Pass are admirably located to supply these markets. The United States tariff is, of course, a partial handicap but this tariff only applies to certain types of coal and it is, therefore, not the principal handicap. Competition is met from mines in the State of Washington as well as mines of eastern United States. The principal handicap lies in the fact that the Inter-State Commerce Commission, a body which regulates freight traffic in the United States, has very wide discretion in establishing rates. It has the power to fix rates with a view to developing markets for particular commodities. As soon, therefore, as Alberta coal began to enter the United States markets to any considerable extent, freight rates on American coal were reduced to meet this competition. The present failure to enter the American market to any large extent is now, therefore, almost entirely a problem of freight rates. The wide discretionary powers given to the Inter-State Commerce Commission are in striking contrast to the powers of the Board of Railway Commissioners in Canada, and the prompt measures taken by the American Commission to preserve the market for American coal contrasted equally sharply with the attitude which the Board of Railway Commissioners found themselves obliged to take with respect to rates on Alberta coal in the hearings referred to later.

A further reference to Table I shows that the railways are the largest consumers of Alberta coal. As a result of negotiations with the two transcontinental railways, Alberta coal is now being used on the Canadian Pacific Railway lines as far east as Ignace, Ontario, and as far west as Revelstoke, B.C., and by the Canadian National Railways as far east as Redditt, Ontario, and to a small extent as far west as Spences Bridge, B.C. The Canadian Pacific Railway uses considerable coal from Fernie, B.C., on its prairie and British Columbia division and the Canadian National Railway uses oil burners extensively on its mountain division west of Edmonton.

The number of mines in operation within the Province is more than necessary to meet immediate demands and this condition is the result of divided authority during the years when the resources were administered by the Federal Government. There was no restriction whatever upon the sale or leasing of coal rights, with the result that many operating concerns acquired rights and proceeded to develop them. A large amount of capital was invested, and the situation soon developed that there were not available markets for the entire output of all the mines, with the result that many were obliged to operate part time only

and difficult questions have been raised for the Provincial Government with respect to hours of labour, minimum wages and protection of wages. Shortly before the transfer of the natural resources, the Province was able to persuade the departmental officials at Ottawa that no further sales or leases should be granted without the permission of the Alberta Government, but this arrangement came too late.

The Alberta coal industry is suffering from economic conditions which are due partly to the geographical situation of the Province, and partly to the fact that the near market for the product of this primary industry is so restricted. What the coal industry needs is wider markets, and these can be made fully available and secured only through the assistance of the Dominion Government.

This revelation furnishes the one conclusion that, pending a fair and reasonable adjustment of this situation, Alberta, holding the bulk of Canada's coal reserves, must continue to be inactive regarding their development while Eastern Canada continues to be supplied with its requirements from foreign countries.

In the effort to widen the markets for Alberta coal, a great deal of attention has been directed to the Province of Ontario. It will be observed that the first sales to that Province were made in 1918, and since that year sales have been made to a greater or less extent, the peak year being 1926 when 74,559 tons were sold. Some years ago, due to an almost complete tie-up in United States coal-fields on account of strikes and the consequent difficulty of obtaining adequate supplies of coal in what was then known as the "Acute Fuel Area" (i.e. Ontario), several large shipments of Alberta coal went forward to that Province to assist in relieving distress. These shipments were all sold before arrival and the use of the coal had the effect of demonstrating to the people of that Province that dependence upon a foreign fuel supply was unnecessary. Since that time efforts have continued in an endeavour to secure a freight rate which would make it possible to move coal in volume to Ontario. The Government of Alberta has met with very little success in their attempts to secure co-operation from the Province of Ontario, and it is hoped that another tie-up of foreign coal-fields from which the present supplies are obtained will not be necessary to bring Eastern Canada to a realization of the benefits to be derived from the utilization of Alberta coals.

As a result of long negotiations, the Alberta Government and coal operators were successful in getting the Dominion Government, by Order in Council in 1926, to direct the Board of

Railway Commissioners to investigate the cost of movement of Alberta coal eastward. While the majority report of the Board found the "out-of-pocket" costs to be $7.22 per ton, Commissioner Oliver placed it at only $6.50 per ton, and a rate was fixed at $6.75 per ton on the understanding that the Board would advise the Government at the end of each season's movements as to what in their opinion was a fair amount to be paid to the railways, over and above the $6.75; the Dominion agreeing to pay the extra amount.

The movement under this arrangement was effective for three years. No close check, however, was kept by the Board of Railway Commissioners and apparently little information of value resulted from this experiment. In 1932 a further investigation was held by the Board of Railway Commissioners with the result that the Board reported to the Government that the total out-of-pocket cost of moving coal from Alberta to North Bay was $6.15 and to Toronto $6.88. This was much in excess of the figure of $5.00 per ton which the Province had hoped to obtain. The next step was to endeavour to secure, either by voluntary act of the railways, or by subvention from the Dominion Government, a rate which would move Alberta coal in volume, and finally after many conferences the railways agreed to accept a rate of $8.00 per ton which they claimed was the lowest rate which would protect them against loss in spite of the finding of the Board of Railway Commissioners who had quoted a maximum rate of $7.22 per ton. After further consultations with the Dominion Government an arrangement was finally completed, whereby that Government would pay a subvention of $2.50 per ton leaving a rate of $5.50 per ton to be borne by the commodity. This arrangement has since continued but only as a yearly arrangement. The assistance is limited to localities where the existing rail rates amount to $8.00 per net ton or in excess thereof, and it is contended by the Alberta Government, that on domestic coal shipments travelling to points in Ontario where the normal freight rate is less than $8.00 per ton that the same subvention as applies on industrial coal should be granted.

The difficulties of shippers of Alberta coals are greatly accentuated through lack of permanency of the subvention and it is impossible to persuade Ontario dealers to sever their connections with American coal producers or to make the necessary provision for handling Alberta coal in quantity, particularly as this coal requires somewhat different handling than American coal. The incentive for extensive advertising or sales propaganda, in order that a large volume of coal might move to Ontario

under this arrangement, depends to a very great extent on making permanent the subvention.

The Alberta Government is firmly of the opinion that a rate of $8.00 is excessive. It believes that this rate includes many items of cost which must be borne by the railway companies in any event. The evidence of Sir Henry Thornton, then President of the Canadian National Railways, before the Special Committee on the Fuel Supply of Canada in 1923 has often been quoted:

"I can give you, and prove, any transportation costs you want at any time for any purpose, and so can anyone else. It all depends upon how you look at it."(1)

While admitting that such an argument cannot be pressed too far, it is suggested that it can be applied to two or three articles of special importance from the national viewpoint, and that no hardship would result to the railway companies if a statutory rate were made effective, which, after deducting the amount of the Dominion subvention, would leave the rate to be borne by the commodity at not more than $5.00 per ton. As an alternative, it is suggested that the Board of Railway Commissioners should be empowered to fix a rate with the same discretionary powers as are vested in the Inter-State Commerce Commission of the United States, that is, to fix a rate having the purpose in mind of assisting Alberta coal to find a market in central Canada.

While appreciating the subvention paid by the Dominion Government, it is nevertheless submitted that Alberta has not as yet, received comparative treatment to that accorded the Maritime Provinces following the report of the Commission presided over by Sir Andrew Duncan in 1928. One of the recommendations of that Commission was that assistance should be given sufficient to enable Nova Scotia coal to be sold in the Central Provinces. That assistance was eventually secured. The following statement shows the amount expended by the Dominion Government under that subvention:

Year	Net tons of N.S. coal moved under subvention	Amount of Assistance paid
1928	113,905	$ 65,600
1929	304,276	295,270
1930	372,029	214,720
1931	401,597	225,137
1932	703,691	538,110
1933	1,480,476	1,476,951
1934	1,814,460	1,720,943

(1) Report of Special Committee on the Fuel Supply of Canada, Ottawa, 1923, page 52.

The total Federal subvention on coal for 1933 and 1934 was as follows:

1933	$1,923,500
1934	2,261,000

Of this the Maritimes received:

1933	$1,478,000
1934	1,729,000

In the same years Alberta only received as follows:

1933	$272,300
1934	346,000

Alberta does not begrudge to the Province of Nova Scotia the assistance it received in finding markets for one of its great natural resources. It is clear, however, that Alberta has not received anything like the same assistance, notwithstanding the fact that its coal resources are larger, and the need for developing the coal industry in this Province is as great.

The coal industry of the Province employs approximately 10,000 miners. It is also estimated that on the basis of an annual production of 7 million tons, the industry would pay to miners approximately 14 million dollars; to farmers over 2 million dollars; to manufacturers over 3 million dollars and to grocers nearly 2 million dollars. One of the anomalies of the present situation is that in central Canada a large volume of coal estimated at over 400,000 tons is being distributed by way of relief. As this coal is purchased in the United States, Canada is creating remunerative employment for American miners for the purpose of giving relief to the unemployed in Canada. At the same time the volume of production in Alberta is not sufficiently large to keep employed those who have made mining their vocation in life, and large sums have been spent by the Dominion and the Province to furnish temporary relief to the miners in some of the mining districts of this Province. It would seem that the money thus spent could be turned to better purpose if directed towards increasing the volume of production of Alberta coal, by assisting to a larger extent the movement of coal from this Province, to the large consuming market in Ontario.

It is obviously absurd that there should exist in Alberta latent coal resources and idle miners, when so many people throughout the Dominion are in need, and it is submitted that a study of the relations between the Dominion and Provincial Governments involves more than consideration of the financial relationships between such Governments. It surely involves a consideration of policies which may contribute to the growth and development of any industry which has such potential capacity for production as the coal industry in Alberta. In asking that this industry be assisted either by a statutory rate,

which would facilitate the marketing of the product, or the increase in the subvention from the Dominion Government, the Province does not necessarily base its request upon the interest of the Province alone. It submits that important national considerations are involved. One is found in the increased purchasing power that would result and from which the central provinces would undoubtedly benefit in view of the fact that the greater part of Alberta's purchases are made in the central provinces. In particular, this is bound up with the obvious economic advantages which would accrue from the development of industries in an area with such an abundant supply of power. The other consideration is found in the greater security that would result to the fuel supply of the Dominion as a whole. A famous dictum of Adam Smith's is that "Security is more than opulence". Central Canada has experienced two periods of acute fuel shortage due to the strikes in the United States, and may do so again. International events may also tend to imperil the fuel supply of Central Canada. Having in mind all these considerations, the Government considers it vital that particular attention be directed to the problem of increasing the coal production of the Province.

SECTION II.—PETROLEUM

The history of Alberta's oil industry began as early as the year 1878, when Dr. G. M. Dawson of the Dominion Government Geological Survey reported on oil occurrences found by him in the Athabasca District. Later Dr. Bell of the Department of the Interior made reference to bituminous (tar) sand deposits in the Athabasca District, which he thought to have been caused by a seepage from petroleum reserves, perhaps unparalleled anywhere in the world. Different theories have been advanced as to the origin and cause of these deposits. It is possible that the interest they have aroused has had considerable influence in stimulating the explorations for oil which have taken place in this Province over a period of many years.

It was not until 1885 that drilling resulted in the discovery of dry gas in the vicinity of Medicine Hat, and in 1890 the first productive gas well was drilled in that area by the Canadian Pacific Railway Company. It is interesting to note also that in 1896, on the recommendation of its geologists, the Dominion Government drilled a well at Athabasca Landing not far from the location of the tar sand deposits. Other drilling took place in the same vicinity in subsequent years but without success. In the south, the Bow Island gas field was first developed in 1900.

The first discovery of oil in Alberta, however, to attract general attention took place in 1913, when the Calgary Petroleum Products, Limited, encountered a light straw coloured oil in their No. 1 well in Turner Valley at a depth of 1,557 feet. The oil, which was accompanied by a considerable flow of gas, was so volatile that it could be used in internal combustion motors without refining.

The oil boom of 1913 and 1914 was started following these discoveries, only to be abruptly halted by the commencement of the World War. During the war the only discovery of particular note was the proving of the commercial dry gas field at Viking about eighty miles south-east of Edmonton, from which the gas requirements of Edmonton and adjacent towns have been supplied since that date.

In the Turner Valley, the gas obtained from horizons in the formations above the limestone in the wells, Nos. 1, 2 and 3, owned by the Royalite Oil Company, was processed in an absorption plant where a small volume of naphtha was recovered, and the gas repressured and piped to Calgary to augment the supply from Bow Island which was dwindling at an alarming rate.

The next important development was the bringing into production of Royalite No. 4. This well passed through the horizons encountered in the other three wells, and down into the limestone where, at a depth of 3,740 feet, or 290 feet below the limestone contact, a tremendous volume of gas was encountered. An attempt was made to close in the well but as the casings were not anchored down sufficiently, the whole casing head was lifted, breaking off the pipe in the well and allowing the gas to flow wild. A few days afterwards this gas caught fire and later was extinguished with considerable difficulty, and the well subsequently placed under partial control. Hastily constructed separators were erected through which the gas was passed, and a very considerable recovery of white crude naphtha obtained. These separators were later replaced with more efficient equipment and it was found that the well was producing approximately 600 barrels per day, of a product which could be used without refining in automobiles.

During the life of this well, which was slightly over six years, a total production of 911,313 barrels of naphtha was obtained, which had a value of over $3,000,000. The well was brought into production in October, 1924, and within a short time a new Turner Valley boom was in progress with wells being started to the north and south. The McLeod No. 1 on

the south, Illinois-Alberta on the west, coming into production with good flows, increased the interest, and while many wells were drilled as close to producers as possible, an occasional operator ventured farther and farther afield. Home No. 1, about four miles south, opened a second area; Mercury No. 1, a third, and Merland a fourth.

All of these wells were located so as to reach the producing horizons at as shallow a depth as possible and were, therefore, drilled within the naphtha and gas producing area.

The peak of production was reached in December, 1930, when it reached 5,300 barrels per day of naphtha with approximately 530 million cubic feet of gas. All wells were operated at maximum capacity, and the naphtha content of the gas was dropping at a very rapid rate. By June, 1931, although the gas flow had reached 580 million, the naphtha production had dropped to 4,200 barrels per day, and by September, 1932, to around 2,000 barrels per day. At this time the Royalite No. 1 plant was erected for the recovery of products which passed through the ordinary field separators, and later the Gas and Oil Products Plant, the Royalite No. 2 Plant and the British American Plant were built.

Due to the falling off in production, drilling was to a great extent discontinued during this period, and very little interest was taken in the field. It was found, however, that two of the wells, Model No. 1 and Advance No. 5A, drilled on the western edge of the then known field, were producing a much heavier oil than when first drilled in, and in larger quantity, which led to the belief amongst those closely following the field, that there were possibilities of encountering crude oil farther down the flank.

On June 16th, 1936, the Turner Valley Royalties well, which encountered the limestone at a greater depth than the other wells, came into production with a large flow of light crude oil, the initial production being 850 barrels per day which, as a result of acidization, was increased to 900, and later to over 1,200 barrels. The bringing in of this well proved without doubt the existence of oil on the west flank, and within a short time several other wells were being drilled for this oil, until at the present time there is a potential production of crude oil of over 40,000 barrels per day. Approximately 30 additional wells are now being drilled.

The annual production of petroleum from 1921 to 1937 with the value of same is set out in Table IX of Chapter II. The noteworthy feature of this table is the very large increase from

1,320,442 barrels in 1936, valued at $3,019,930, to 2,796,908 barrels in 1937, valued at $4,913,960, an increase of nearly one and one-half million barrels. These figures, however, do not indicate the complete development in that period. The 1936 total represents production of the entire capacity of the wells. In 1937 the production increased so rapidly that the pipe line transportation was unable to take care of it. Another factor was the restricted markets due to the commitments that had been previously made in the United States for supplies to take care of the logical markets for Turner Valley production, with the result that the pipe line companies had to bring into effect a scheme of proration. On September 10th wells were prorated to 65% of their capacity. On November 1st this proration was reduced to 45%, and on November 15th to 35%, which was raised on the 15th January, 1938, to 42%, the increase being made possible by the shipment of oil to the Imperial Refinery at Regina, and the British American Refinery at Moose Jaw, and by an increase in the volume processed in Calgary which replaced the supplies previously imported, as the commitments to purchase foreign oil lapsed, and by the laying of some additional pipe line. A further pipe line is now being built which will increase the transportation facilities very considerably. As a result of additional large producers being brought in the present proration is based on 37% of the potential.

The proration by the pipe line companies was based upon a test of the daily potential capacity of the crude wells, made by the Petroleum and Natural Gas Division of the Department of Lands and Mines, at the request of the pipe line companies and the producers.

On the basis of the present potential capacity of the wells, which is approximately 40,000 barrels per day, the total annual capacity would be between 14 and 15 million barrels per year. These figures are subject to considerable fluctuation, due to the drop in potential of the wells, and to the number and potential of the new wells to be brought into production. The total quantity of oil consumed in Canada in 1935, was 34,183,184 barrels, largely supplied by imports from the United States, Trinidad and South America, as well as the production from Alberta. From these figures the fact of interest is that over 35% of the total consumption of Canada, based on 1935 figures is now represented by the present potential production of this Province.

This abundant supply has already resulted in a very considerable reduction in the price of crude oil, which reduction

has, to some extent, been passed on to the consumers in the western Provinces. It is our contention that there should be a further reduction in price to the consumer.

A very considerable amount of geological work has been done in the last two years, and it is expected that more prospecting of new structures will be carried on this year than for some time past, and with considerable hope of success.

Prospect drilling is in progress or will be in operation in the Brazeau area, Wainwright, Lloydminster, Steveville, Taber, West of Lundbreck, Moose Dome, and probably in several areas in the foothills during this season.

There is also considerable interest at the present time in the Pouce Coupe District, and diamond drilling testing is being carried on there at this time.

With all this activity there will be undoubtedly a very great increase in the production during the coming season.

Gas wastage in the Turner Valley has seriously depleted the gas reserves in Alberta, and this can be attributed solely to the restrictions imposed upon the Province at the time of the transfer of the natural resources to Provincial control, which has prevented the Alberta Government inaugurating any scheme of conservation.

Up to the 1st October, 1930, the natural resources of Alberta were under the direct administration of the Dominion of Canada, and the Provincial Government had no say in the dissipation of the mineral wealth lying within its borders. The Dominion Government sold or leased these minerals under regulations of their own, and while provision was made in the leases granted for supervision and control, the Dominion Government refused to impose restrictions or to apply conservation methods which would have curtailed the depletion of the gas reserves.

A committee, representative of both Governments, investigated the situation in the year 1929 but came to no definite conclusion as to the appropriate action to be taken, primarily because of the imminent transfer of the natural resources to Provincial control, and the difficulty of establishing dual regulations.

The Provincial authorities of the Western Provinces met the Prime Minister of Canada and the members of his cabinet in the fall of 1929, when an agreement was made returning to Provincial control the lands that had been withheld from the Province at the time of the formation of Alberta.

Section 2 of The Transfer Agreement reads:— "The Province will carry out in accordance with the terms thereof every contract to purchase or lease any Crown lands, mines or minerals

and every other arrangement whereby any person has become entitled to any interest therein as against the Crown, and further agrees not to affect or alter any term of any such contract to purchase, lease or other arrangement by legislation or otherwise, except either with the consent of all the parties thereto other than Canada or in so far as any legislation may apply generally to all similar agreements relating to lands, mines or minerals in the Province or to interests therein, irrespective of who may be the parties thereto."

This definitely tied the hands of the Province in exercising any conservation measures within Alberta, and, while there was some responsibility upon the representatives who had signed the agreement, it must be remembered that the control of the resources had been a very vexatious question from the formation of the Province.

Consistently, since the resources have been under the control of the Provincial Government, attempts have been made to effect conservation, but Alberta has always been confronted with the terms of The Transfer Agreement and its limitation of power granted the Province, which restrictions have been upheld by a judgment of the Supreme Court of Canada.

It was only of recent date that the Dominion agreed to modify the terms of The Transfer Agreement so as to enable the Province to carry out proper conservation measures. But until appropriate legislation has been enacted by the Parliament of Canada, the Province is still unable to prevent the enormous wastage of the gas reserves of Alberta.

The principal problem confronting the petroleum industry is the same as that experienced by the coal industry, namely, restricted markets, and as a result of representations made by the crude oil producers recently, the Government of Canada directed the Dominion Tariff Board to hold an inquiry into the various conditions surrounding the petroleum industry, which is now being investigated. Evidence is being taken as to consumption of petroleum products in Western Canada, sources of supply, present refining facilities in the West, programmes for increasing such facilities, transportation costs and comparative costs of laying down imported and Turner Valley oil at different points. In view of the importance of petroleum production, not only to Canada but to the Empire, it is hoped that the Tariff Board may be able to devise ways and means of greatly extending the markets for this product. In any event the Province demands that the Dominion Government prevent the full development of this industry being thwarted because of the geographical position of this Province in relation to the consuming population of Canada.

TABLE I

AMOUNT OF ALBERTA COAL SOLD DURING THE YEARS 1915 TO 1936, INCLUSIVE, FOR CONSUMPTION IN:

Year	Alberta	British Columbia	Saskat--chewan	Manitoba	Ontario	N. W. Terr.	Quebec	United States	To Railroads	Total
1915	2,129,130	54,860	695,898	64,816	....	....	....	25,047	....	2,969,751
1916	2,866,670	86,413	1,007,765	97,265	....	....	....	61,092	....	4,119,205
1917	2,813,413	76,397	1,139,771	249,872	....	....	....	93,081	....	4,372,534
1918	3,440,154	101,189	1,372,439	511,168	629	....	....	133,276	....	5,558,855
1919	2,991,110	95,461	1,115,329	314,290	308	....	....	121,212	....	4,637,710
1920	1,647,202	128,850	1,310,146	600,962	13,911	....	30	152,610	2,516,555	6,370,266
1921	1,415,861	116,089	1,294,441	495,388	9,898	....	....	133,823	2,023,204	5,488,704
1922	1,443,942	107,920	1,371,249	520,518	21,573	....	102	105,514	2,076,291	5,647,109
1923	1,382,788	108,326	1,223,454	553,649	52,334	....	....	83,557	3,110,121	6,514,229
1924	1,431,327	114,186	1,189,788	510,407	16,525	....	....	39,142	1,613,574	4,914,949
1925	1,440,032	117,037	1,297,653	509,655	28,831	....	....	40,507	2,139,716	5,573,431
1926	1,325,290	127,858	1,296,181	591,267	74,559	....	221	48,216	2,706,440	6,170,032
1927	1,508,089	187,028	1,427,904	612,542	22,680	....	....	45,160	2,759,765	6,563,168
1928	1,409,475	262.198	1,511,141	605,125	44,265	....	....	52,265	3,054,239	6,938,708
1929	1,446,555	236,840	1,455,213	588,647	55,647	....	33	51,625	2,923,827	6,758,387
1930	1,234,382	227,385	1,221,542	541,537	29,784	....	32	44,291	2,120,237	5,419,190
1931	1,020,694	171,610	905,574	442,761	27,036	....	100	30,434	1,668,451	4,266,660
1932	1,134,311	136,188	1,097,382	497,006	20,583	....	135	27,366	1,619,921	4,532,892
1933	1,123,357	120,911	1,052,910	499,681	39,437	....	32	18,449	1,500,061	4,354,838
1934	1,087,898	127,638	986,639	391,132	55,947	31	....	13,739	1,687,850	4,350,874
1935	1,246,959	221,758	1,120,816	435,813	64,659	....	....	24,712	1,960,555	5,075,272
1936	1,356,690	244,928	1,238,730	450,740	65,886	....	....	27,397	1,969,569	5,353,940
	36,895,329	3,171,070	26,331,965	10,084,241	644,492	31	685	1,372,515	37,450,376	115,950,704

Note: Previous to 1920 Railroad Coal was included in sales in Alberta.

SECTION III.—LIVE STOCK

Alberta is noted for the quality of its cattle. Years ago it was recognized that even in the semi-arid districts, cattle thrived on the prairie grass. There is now a large cattle ranching industry which produces animals of high quality of the breeding type and conformation, which, when finished, compete favourably with the best cattle offered on the American and English markets. A large cattle feeding industry has developed during the past ten years centred around Lethbridge, High River, Calgary, Olds, Innisfail, Red Deer, Lacombe, Wetaskiwin and Edmonton. Many of the choicest cattle from the ranches of Southern Alberta are being finished around these centres. The number of finished cattle for about six months of each year is always too great to be absorbed by the Canadian market and this, combined with the fact that finished cattle are reaching the market from all other provinces of Canada in large numbers during the same season, makes it imperative that an outlet be secured either in the United States or Great Britain.

The importance of the live stock industry in the economic life of Alberta is indicated by reference to Tables IV and V in Chapter II. For example, in the year 1936, there were exported from Alberta approximately 33,624 horses and 317,054 cattle, while 1,039,466 hogs and 246,756 sheep were marketed. In addition, it is estimated that in 1936, the animals slaughtered in Alberta packing plants numbered as follows:

	Number	Local Consumption	Export
Cattle and Calves—Beef and Veal	157,372	35,705,258 lbs.	15,000,000 lbs.
Swine—Pork	619,466	49,141,157 lbs.	40,000,000 lbs.
Sheep and Lambs	98,533	2,888,134 lbs.	1,200,000 lbs.

During the years 1930 to 1936 the value of animals slaughtered and sold constituted from 15 to 20 per cent of the total value of agricultural production in the Province.

Canadian cattle exports to the United States are hampered by two restrictions, namely, a duty of two cents per pound and a quota of approximately 150,000 head per year. These restrictions are sufficient to prevent profitable marketing in that country. This quota is equivalent to less than one per cent of the total number of cattle marketed annually in the United States. If it were

possible for the Government of Canada to complete a trade agreement with the United States whereby the tariff would be eliminated and the quota lifted, it would be a source of great encouragement to the beef cattle industry in the Province of Alberta. There is no doubt that the United States is the logical market for surplus Alberta cattle. On the few occasions when the market has been favourable, there have been heavy shipments of cattle from different parts of Canada sufficient to cause a glut on the St. Paul and Chicago markets with a consequent break in the price. This, very naturally, is resented by American cattle producers and should be avoided in the future by some plan of controlled shipments from Canadian points. It is contended that the entry of Canadian cattle into the United States should be accompanied by full recognition of the right of the United States to enjoy a comparable share of the Canadian market for some of the surplus manufactured products of that country.

The market for cattle in Great Britain has seldom been a profitable one for Canadian producers. The charges on live cattle between Alberta and Great Britain are heavy in comparison with the value of the animals. It would appear that something will have to be done to reduce these shipping charges before any worthwhile movement to that market may be expected. Alberta finished cattle are in demand on the British markets either for immediate slaughter or for purchase by the British farmer for short-period feeding. If the shipping charges could be reduced by approximately one-third, there would be a prospect of the Canadian market being materially relieved by the development of a remunerative export trade.

For some years the cattle industry in Alberta has not been in a flourishing condition as the market price does not provide a margin of profit. Production costs have also increased. It is vigorously urged by the Government of Alberta that definite action should be taken by the Government of Canada to remove the handicaps under which the industry is suffering at the present time. The price of finished steers over 1,050 pounds at Toronto fell almost steadily for four years and, in 1933, averaged \$4.63 per cwt.—less than one-half the comparable price for 1929. The low point was reached in February, 1933, when this grade sold at \$3.60 per cwt. in Toronto. Prices to Western farmers and for lower grade animals actually reached such a level that, in many instances, they were insufficient to pay freight and stockyard charges. The price of finished steers over 1,050 pounds at Calgary fell to \$2.25 per cwt. in September, October and November, 1933. At the present time, cattle producers in

Alberta are discouraged as feeder cattle sold in the fall of 1937 at around five cents per pound whereas the price of good cattle is now around four cents per pound. This means that farmers now feeding cattle are faced with heavy losses. This situation cannot continue. Either the Canadian cattle industry must secure an assured and profitable outlet for the annual surplus or wholesale liquidation of long established superior herds will ensue, with the consequent irretrievable loss to our agricultural revenue.

Hog production has developed steadily during the past several years to a point where approximately one million hogs per year are being produced. This is the second largest production of the provinces in Canada. In keeping with the increase in numbers produced, the quality has also very materially improved. Approximately 60 per cent of the animals marketed at public stockyards and abbatoirs are now graded in the bacon or select classes. This quality is in demand in Great Britain where there is a very wide market for Canadian hams and bacon. Substantial quantities of Alberta pork products have been shipped to Great Britain during recent years. Immediately after the Ottawa Trade Agreement with the United Kingdom was signed in 1932, the hog raisers of Alberta became optimistic of the future, feeling as they did that the large quota granted to Canada by Great Britain would ensure a profitable market during the life of the agreement. There have been heavy breaks in the Canadian market for live hogs since that time, without apparent comparable breaks in the market for hams and bacon in Great Britain, a phenomenon which is as unsatisfactory as it is questionable. This resulted in discouraging hog producers from developing the industry to the greatest possible extent. Steps should be taken to provide a steady, uniform market throughout the year and thus restore the confidence of our farmers.

The sheep industry in Alberta has had a steady and gradual development since the Province was first settled. Sheep ranching in Southern Alberta has reached substantial proportions, the recent dry seasons not having affected it so adversely as they have the cattle industry. Large numbers of small farm flocks are maintained throughout the central part of the Province, many of these being pure-bred flocks from which breeding stock is distributed from time to time. Within the past few years a fairly extensive lamb feeding enterprise has developed, principally in the irrigated districts and in the heavier crop producing districts of the Province. In addition to this, large numbers of range lambs from Southern Alberta find their way to Eastern

Provinces for finishing during the fall months. Sheep raising will probably become a major industry in the West sooner or later and it should be given every possible encouragement.

The market for lamb and mutton is almost entirely a domestic market as Canada rarely produces a surplus of sheep. It is considered that Canada cannot compete in the world's markets with mutton from New Zealand and Australia as, in both those countries, the main objective in sheep production is wool, meat being a by-product, and furthermore, the climate is more favourable than in Canada for raising sheep. It is not surprising, therefore, that sheep raisers view with alarm the reduction in the duties on lamb and mutton from New Zealand and Australia from three cents per pound to one-half cent per pound, which was announced at Ottawa on September 29th, 1937, and came into effect October 1st, 1937. The mere announcement resulted in a drop in the Canadian price, and it is expected that when New Zealand and Australian lamb and mutton reach the Canadian market in the spring and summer there will be a further drop in prices. This arrangement was made by the Government of Canada without even giving the sheep raisers an opportunity to present their case to the Tariff Board. It is understood that certain Canadian manufacturing interests will benefit by being able to continue to enjoy the advantages of the markets in New Zealand and Australia. Here we have another instance of the protective tariff being used mainly to give preference to the central provinces at the expense of Western agriculture. Surely our farmers are entitled to better treatment especially after having suffered so severely during the last decade. The policy of assisting secondary producers at the expense of primary producers goes steadily on and adds to the general discontent in the West.

The live stock industry was investigated to a certain extent by the Price Spreads Commission, appointed by the House of Commons in 1934, and a close perusal of the Report of this Commission will reveal that the marketing of live stock constitutes a major problem. The Government of Alberta endorses generally the Report of this Commission and wishes to emphasize the necessity of Government regulation of the marketing of live stock. There are many reasons in favour of Government supervision, one being that the large packing plants admittedly look after their own interests instead of the farmers, as is clearly indicated by the answer of Mr. J. S. McLean, President of Canada Packers, Ltd., to a question asked him by the Chairman of the Price Spreads Commission on June 1st, 1934.(1) This was the question put:

(1) See pp. 2537 and 2538, Vol. 2, Proceedings Price Spreads Commission.

"You know that there is a surplus of beef in this country; you know the farmer is getting a very low price for his beef. I am asking you if you think it is sound Canadian business to encourage the bringing in of frozen beef from other countries who happen for the moment to be able to sell it cheaper than we can, into this country and deny the Canadian farmer the chance to supply the market?"

To this question, Mr. McLean answered:

"I do not think it is my duty to protect the Canadian farmer; if he needs protection it is yours."

Some of the findings of the Price Spreads Commission are summarized as follows:

1. The primary producer has borne the brunt of the depression, and not only that, but he was the first and the greatest sufferer. He too often has taken what little was left after other interests have secured their share of the consumer's dollar.

2. The primary producer, including the live stock producer, in many cases, has been the victim of vicious exploitation.

3. During the depression, the live stock industry has suffered particularly through lack of profitable markets and the farmer producing live stock is more completely at the mercy of the buyers than farmers producing other farm commodities. This is wholly inexcusable.

4. Farmers have little confidence in a system in which violent and sudden price fluctuations occur unexpectedly and without adequate explanation.

5. The full lowering of prices was not carried through to the consumer so that consumption could be improved. The packer, the wholesaler and the retailer protected their margins on a falling market and since their costs and charges form a high proportion of wholesale and retail prices, this operated to prevent the commensurate decline of meat prices.

6. Governmental endeavours in the interests of the Canadian farmer during the next few years should be directed to the rehabilitation of the live stock industry in all its stages.

7. There has developed in Canada lack of competition in the sale of live stock due, firstly, to the elimination of the small packing company and the wholesale butcher; secondly, to the practice of selling to the wholesale butcher carcasses on the rail at cost price plus killing charges and thus removing the wholesale butcher from competition on the public stockyards; and thirdly, the fact that the packing companies have very vigorously developed a system of direct shipment of live stock to the packing plant instead of to the stockyards, a business increased

by the use of trucks instead of rail to carry live stock to the market.

Table I shows the monthly weighted average live prices for hogs on the Montreal, Winnipeg and Edmonton markets for the years 1930 to 1935, inclusive, and also the yearly average weighted hog prices for these points.

TABLE I.

MONTHLY WEIGHTED AVERAGE LIVE PRICES FOR HOGS.

	Montreal	Winnipeg	Edmonton
1930			
January	$12.30	$10.73	$11.80
February	12.81	11.73	12.13
March	13.20	11.40	11.00
April	12.90	11.45	10.55
May	12.20	11.25	10.65
June	12.55	10.95	10.80
July	12.20	10.52	10.44
August	11.60	10.20	9.95
September	11.05	10.80	10.30
October	11.75	10.25	10.20
November	10.60	9.05	8.25
December	10.25	8.75	8.30
1931			
January	10.05	8.50	8.05
February	8.85	7.30	6.55
March	7.80	6.75	6.00
April	8.25	7.05	6.60
May	8.30	7.10	6.65
June	8.55	7.05	7.00
July	8.65	6.90	6.95
August	7.05	5.75	5.20
September	6.25	4.90	4.25
October	5.50	4.50	4.30
November	5.20	4.00	3.75
December	4.95	3.60	3.25
1932			
January	5.10	3.80	3.55
February	5.00	3.75	3.45
March	5.10	4.90	3.35
April	4.75	4.55	3.10
May	4.65	3.40	2.95
June	4.60	3.40	3.00
July	5.00	3.85	3.80
August	5.20	4.20	3.55
September	5.60	4.45	3.85
October	4.85	3.60	3.15
November	4.10	2.95	2.50
December	4.00	2.85	2.45
1933			
January	3.90	2.65	2.35
February	4.05	2.80	2.50
March	5.45	4.35	4.20
April	5.80	4.75	4.25
May	6.05	5.00	4.55
June	5.90	4.80	4.40
July	6.35	5.20	4.85
August	6.50	5.30	5.10
September	7.00	5.65	5.50

TABLE I.—*(Continued)*

	Montreal	Winnipeg	Edmonton
1933—*Continued*			
October	$5.95	$4.95	$4.55
November	6.30	5.25	5.15
December	6.55	5.40	5.35
1934			
January	8.20	7.30	7.20
February	9.60	8.40	8.30
March	9.25	8.00	7.50
April	8.25	7.25	6.75
May	8.40	7.51	6.89
June	8.96	7.91	7.47
July	9.03	7.60	7.39
August	8.40	6.86	6.96
September	8.52	6.69	6.94
October	8.01	6.60	6.94
November	7.62	6.43	6.42
December	7.78	6.63	6.57
1935			
January	8.21	7.13	7.03
February	8.26	7.13	6.89
March	8.14	7.36	7.20
April	8.58	7.63	7.24
May	8.98	8.01	7.75
June	9.56	8.61	8.36
July	9.28	7.99	7.80
August	9.28	8.46	7.77
September	9.13	8.27	7.79
October	8.93	7.86	7.69
November	8.02	7.19	6.82
December	8.13	7.38	7.00

YEARLY WEIGHTED AVERAGE LIVE PRICES FOR HOGS.

	Montreal	Winnipeg	Edmonton
1930	$11.95	$10.59	$10.36
1931	7.45	6.11	5.71
1932	4.83	3.81	3.23
1933	5.81	4.63	4.40
1934	8.50	7.27	7.11
1935	8.70	7.75	7.45

A close examination of Table I will reveal that the lowest prices were obtained during the months of October, November or December, these being generally the heavy market months.

Table II shows the spread between prices of steers, select hogs and lambs at Edmonton, Winnipeg, Montreal and Toronto, and sets forth the yearly average prices per cwt. of Canadian live stock on these markets for the years 1926 to 1935 (inclusive). Over this period of ten years it appears that the price of select hogs, steers and lambs averaged considerably lower at Edmonton than Toronto. Table II deals only with select hogs whereas

Table I covers all varieties. Table I clearly demonstrates the fluctuation in farmers' incomes from hogs, and the difficulties under which the live stock industry operates, and also indicates that the Alberta producer receives less for his hogs than the producer in Manitoba and Eastern Canada. Table I also indicates that the difference in the Edmonton and Eastern average price on all varieties of hogs over a period of six years is even greater than the difference in the price of select hogs over the ten-year period, the percentage difference running from 15 to 50 per cent.

TABLE II.

YEARLY AVERAGE PRICES PER CWT. OF CANADIAN LIVE STOCK AT CERTAIN MARKETS

(Data taken from the Canada Year Books)

	Toronto	Montreal	Winnipeg	Edmonton
1926—				
Steers, Heavy Finished	$ 7.61	$ 8.22	$ 6.36	$ 6.10
	Weighed Off Cars		Fed and Watered	
Hogs, Selects	14.71	13.81	13.23	13.34
Lambs, Good	13.05	11.85	10.85	10.41
1927—				
Steers, Heavy Finished	$ 8.27	$ 9.44	$ 7.51	$ 7.13
	Weighed Off Cars		Fed and Watered	
Hogs, Selects	11.05	11.18	10.08	10.68
Lambs, Good	12.31	11.35	11.08	10.75
1928—				
Steers, Heavy Finished	$10.80	$10.47	$ 9.79	$ 9.32
	Weighed Off Cars		Fed and Watered	
Hogs, Selects	11.09	11.00	9.60	9.58
Lambs, Good	13.10	11.92	11.81	11.15
1929—				
Steers, Heavy Finished	$10.17	$10.62	$ 9.05	$ 8.71
	Weighed Off Cars		Fed and Watered	
Hogs, Selects	12.86	12.73	11.18	11.36
Lambs, Good	12.68	11.26	10.89	9.99
1930—				
Steers, Good and Choice	$ 8.97	$ 8.14	$ 7.63	$ 7.43
Hogs, Selects	12.81	12.59	11.22	11.16
Lambs, Good	9.50	8.57	8.28	7.95
1931—				
Steers, Good and Choice	$ 5.93	$ 5.93	$ 5.40	$ 4.97
Hogs, Selects	7.94	7.64	6.53	6.25
Lambs, Good	8.03	7.02	6.49	5.67
1932—				
Steers, Good and Choice	$ 5.23	$ 5.74	$ 4.82	$ 4.49
Hogs, Selects	5.19	5.21	4.32	3.87
Lambs, Good	6.10	5.26	5.12	4.51

TABLE II.—(*Continued*)

	Toronto	Montreal	Winnipeg	Edmonton
1933—				
Steers, Good and Choice	$ 4.47	$ 4.50	$ 3.87	$ 3.68
Hogs, Selects	6.17	6.38	5.36	5.08
Lambs, Good	6.92	6.17	5.32	4.12
1934—				
Steers, Good and Choice	$ 4.85	$ 5.14	$ 4.40	$ 3.83
Hogs, Selects	9.10	9.06	8.12	7.89
Lambs, Good	7.17	6.22	5.38	4.68
1935—				
Steers, Good and Choice ...	$ 5.79	$ 6.19	$ 5.45	$ 5.12
Hogs, Selects	9.46	9.41	8.25	8.11
Lambs, Good	7.58	6.92	6.02	5.29
Average, 1926-1935—				
Steers, Good and Choice	$ 7.21	$ 7.68	$ 6.43	$ 6.07
Hogs, Selects	10.04	9.90	8.79	8.73
Lambs, Good	9.64	8.66	8.13	7.45
Average, 1926-1935—Expressed as a percentage of the Toronto Price.				
Steers, Good and Choice	100	106.52	89.18	84.19
Hogs, Selects	100	98.60	87.55	86.95
Lambs, Good	100	89.83	84.34	77.28
Price Ranges—				
Steers: High	$10.80	$10.62	$ 9.79	$ 9.32
Low	4.47	4.50	3.87	3.68
Hogs: High	14.71	13.81	13.23	13.34
Low	5.19	5.21	4.32	3.87
Lambs: High	13.10	11.92	11.81	11.15
Low	6.10	5.26	5.12	4.12

Would it not have been to the advantage of Canada to prevent prices dropping to the low points reached in 1932 and 1933? The consumer would not be seriously affected if farmers received not less for hogs than their costs of production and a reasonable margin of profit; in fact, they would indirectly benefit through farmers having more money to pay for goods and services. Should it not be possible for the packers to keep prices at a certain minimum? This is a matter which should be fully investigated by the Government of Canada through the National Live Stock Board which is referred to later. Farmers in countries such as Denmark, New Zealand, England and the United States are supported in the matter of prices to a much greater extent than in Canada. The Government of Alberta therefore considers that the situation should be examined carefully from all angles with a view to ascertaining whether or not a system can be put into effect whereby our live stock producers will receive proper consideration. Under the present method the

farmer does not know what the price of live stock will be from day to day and therefore cannot plan his live stock production as he would like. If he is assured of at least a price which would cover his costs he would have more incentive to build up this production in a systematic way and improve the quality of his live stock. At present, those who handle the farmer's product after he parts with it are certain of recovering their costs and profits whereas the farmer has to be content with the balance remaining, in spite of the fact that he is the one who spends his time and money in the actual production.

The Government of Alberta is of the opinion that the recommendations of the Price Spreads Commission should be implemented. These recommendations are as follows:

(1) That all shipments of live stock should be made to the public market where reasonably possible, to give all buyers an opportunity of competing for them, and to prevent direct shipments being used as a club in the hands of the packers to break down prices on the public stock yards, and that direct shipments to packers' yards be subject to the same rules of weighing, grading, publication of prices, deliveries, sales competition and supervision as shipments are in the public stock yards.

(2) That in cases where producers desire to sell stock by auction on the public stock yards, they be enabled to do so, and that regulations be passed to this effect.

(3) That careful attention must also be paid to the regulation of truckers' activities.

(4) That the system of sale of hogs by fixed differentials be discontinued with the exception of the premium on selects, and that each grade of hogs should be sold separately at whatever price it will bring.

(5) That cattle be graded and sold on grade.

(6) That a Live Stock Board be established under appropriate jurisdiction, the duties of the Board to include, among others, the following:

(a) The prompt dissemination of information to producers and the trade generally, in respect to production, marketing, stocks, and prices, both export and domestic;

(b) Administrative jurisdiction in matters connected with all phases of live stock marketing and in connection with disputes between producers, processors, etc.;

(c) Licensing and supervision of truckers, dealers and export packers; where necessary in co-operation with provincial authorities;

(d) Adequate inspection of all marketing stages and action to correct abuse;

(e) Co-operation with producers, processors and the trade generally, to ensure as far as possible a balance between production and available markets;

(f) To encourage the organization of producers of live stock for regular and orderly marketing;

(g) Improvement of quality of all live stock;

(h) The formation of a uniform policy on external marketing, with a view not only to promoting new, but also retaining and developing, existing markets;

(i) The stabilization of supplies, and the regulation of quality to each particular market;

(j) The utilization of all available means to secure fair returns to the primary producers of good stock;

(k) In as much as the system at present in vogue in handling Canadian bacon on the British market operates primarily to the advantage of the packer, exporter and the distributor concerns, and in as much as there is insufficient consideration given to the interest of the primary producer, the Board should, immediately on its appointment, make a careful survey of the situation in the British market with a view to:

   (i) Ascertaining to what extent Canadian packers and the British Bacon Committee operate as a mutual body; and

   (ii) Revising the grading of export bacon so as to insure the highest possible price for Canadian "selects" and "bacon" hogs; and

   (iii) Securing such a system of distribution as will satisfactorily meet the requirements of the British trade, while at the same time insuring full and adequate protection to the producer of hogs in Canada.

The findings of the Price Spreads Commission have, so far, not been acted upon by the Dominion of Canada to any noticeable extent, and the Western farmer has not secured practical assistance towards obtaining a more equitable price for his live stock, with the result that whereas the large packers have prospered greatly, the situation is serious as far as Western producers are concerned. The Live Stock Board, recommended by the Commission, has not yet been established. The Government of Alberta considers that such a Board should be functioning

continually and should be composed of men of the highest integrity and ability. The objective of the Board should be to consider the interests of the live stock producers first, including the question of reducing marketing costs to a minimum, and all the difficulties surrounding the industry should be thoroughly analyzed and solved. The whole question develops into a national problem affecting Eastern Canada as well as the West, and the Government of Alberta submits that immediate action is necessary.

MEAT PACKING INDUSTRY

This industry is so closely connected with the live stock industry that its operations and ramifications cannot be overlooked in discussing the latter, especially in the light of the Report of the Price Spreads Commission in 1935 to the effect that, during the depression, live stock producers suffered severely whereas packing plants made substantial profits. The following are excerpts from the said report:

> "Summarizing, the packing industry in Canada, which is engaged in a public service of national importance, presents an illustration both of large-scale production and monopolistic concentration. The two largest packing companies in the United States, Swift and Company, and Armour and Company, do not together account for as high a proportion of the packing business in that country as Canada Packers, Limited, alone accounts for in Canada. This dominating position of one company emphasizes the natural disparity in bargaining power between the packer and the primary producer and facilitates unfair competition in the distribution of packing house products by encouraging price discrimination and other uneconomic competitive practices. One further result of the present set-up of the industry is that during a trying period of economic readjustment the dominating packer has been able substantially to protect his profit margin, while other branches of the industry, more especially the live stock producer, have had to bear a disproportionate share of the burden of depression."(1)
>
> "Further reference will be made to the profits of these companies, but we should here consider the view expressed by the President of Canada Packers Limited, of the relations of the industry to producers and consumers. The witness summed up his estimate of the situation as follows:
>
> > " '*The total live stock is sold for the total sum, whatever it is; from that sum is deducted the packer's expense and the packer's profit and the farmer gets the balance.*'
>
> The witness further admitted that the packer's charges should be as low as possible and that his profit should be a

(1) Pp. 59-60, Report of the Royal Commission on Price Spreads, April 9th, 1935.

reasonable one. The statement quoted, if it means what it appears to, implies the occupancy by the processor of a privileged position where, in return for the performance of a necessary function, a return on the capital employed should be assured. It suggests, in fact, and evidence supports the suggestion, that many of the vital characteristics of monopoly are present. *We cannot, therefore, escape the conclusion that the continued prosperity of Canada Packers Limited during the depression bears some relation to the enjoyment of relative freedom from competition.* That the inadequacy of such competition has operated to the detriment of the primary producer seems evident.

"The earnings of the five packing companies (Canada Packers, Swift Canadian Company, Burns & Co., Wilsil Limited, and Gainers Limited) reviewed in evidence represent for the years 1929 to 1933 an average return of but 3.3 per cent per annum on the invested capital. In the years 1931 and 1932 the group showed a loss due to large operating deficits of the Swift Canadian Company, Limited, and Burns & Co., Limited. The earnings of the group should, therefore, be considered in conjunction with the profits of its largest member, Canada Packers, Limited. The following table shows the percentage of earnings on invested capital for each of the five years:

Year	All Five Companies		Canada Packers Ltd.
1929	9.9%		16.0%
1930	3.4		7.5
1931	1.7	(Loss)	3.9
1932	1.2	(Loss)	6.3
1933	6.2		12.3
Average	3.3%		8.9%

"The above earnings are based on the profits shown by the companies, adjusted in Canada Packers, Limited, for certain extraneous charges. The evidence, however, indicates that certain operating charges have been excessive and that the true profits of Canada Packers, Limited, are probably greater than disclosed by the records.

"Our investigators reported that for the five years ended 29th March, 1934, provision for depreciation and repairs by Canada Packers, Limited, amounted to over $6,100,000, or nearly 52 per cent of the average depreciable value of the fixed assets. On the average depreciable value of approximately $11,830,000 the annual charges were as follows:

	Repair Charges	Depreciation	Total
Year ended 27 March, 1930	$ 612,158	$ 748,373	$1,360,531
Year ended 26 March, 1931	465,483	766,950	1,232,433
Year ended 31 March, 1932	463,839	777,821	1,241,660
Year ended 30 March, 1933	350,165	748,997	1,099,162
Year ended 29 March, 1934	446,874	753,629	1,200,503
TOTAL	$2,338,519	$3,795,770	$6,134,289

"The amount of these charges considered in relation to the depreciable value of $11,830,000 indicates the rapid rate at which the fixed assets are being written off.

"Profits have also been affected by writing off against operations over $500,000 of the book value of investments. The market value of investments at 29th March, 1934, exceeded their net book value by over $100,000. Realized profits of $191,000 on investment transactions have not been shown as profits, but carried foward as a reserve. New inventory reserves of $180,000 have been created out of earnings during the period. These and other items not satisfactorily explained lead us to the conclusion that the profits of Canada Packers, Limited, were considerably more than was shown. While the company's conservatism may be sound business policy, we cannot overlook these facts in considering its relative position in the industry."(1)

The following statement taken from the Financial Post of October 19th, 1936, and the Financial Post's Survey of Corporate Securities, 1937, shows the net profits, dividends and surplus of Canada Packers, Limited, for the years 1929 to 1936 (inclusive) and indicates clearly that the business of the company was quite prosperous at all stages of the depression.

Year	Earnings*	Dividends	Surplus
1929	$1,503,298	$ 115,939	$2,598,444
1930	1,552,072	444,738	3,706.569
1931	838,112	435,395	4,111,638
1932	450,303	422,319	4,073,622
1933	607,672	422,254	4,259,040
1934	1,429,670	1,055,672	4,633,038
1935	1,318,663	572,287	5,379,414
1936	1,288,011	916,701	5,177,174

* After all expenses, bond interest, income tax provision for current year and additional amounts for prior years, and depreciation.

It should be pointed out that, in addition to profits and reserves, the company had up to March 26th, 1936, written off $8,321,144 for depreciation and had an appraisals surplus of $5,672,940. It is felt that even these figures do not give the true picture especially in the light of the report of the Price Spreads Commission on the difficulty in obtaining facts surrounding the activities of the company and its subsidiaries.

The position of the Canadian farmer is well summed up in the foregoing statement of the President of Canada Packers, Limited, to the effect that the producer gets whatever is left over after the packer takes out his expenses and profits. It is admitted that packers are in business to make profits and that

(1) Report of the Royal Commission on Price Spreads, April 9th, 1935, pages 56, 57 and 58.

they perform a useful function, but it does not seem right that a system should be permitted which enables private enterprises of this nature to thrive during a period when the primary producer does not receive sufficient from the sale of his product to make it worth his while to take it to market. Without this product the packing plant could not function, but in the distribution of the benefits, the producer is overlooked. Weighing one against the other, the welfare of the farming community should take precedence. The packing plants claim that their net profits represent a very small percentage of their total turnover and that if these profits were distributed amongst the farmers supplying the products used, the amount received by each producer would be infinitesimal, but, even if this be the case, it does not present the true picture as before net profits are calculated, the salaries and wages of all those employed by the packing plants are taken care of. The producer is the only one in the transaction who is not provided with a living wage. Furthermore, the packing plants are in business primarily to make money for themselves so that their interests are not identical with the interests of the producer. If these plants were operated for the benefit of the producer, there is a large body of opinion which considers that the latter would receive substantially more than he is receiving to-day.

It is submitted that it would be in the interests of the packing plants as well as in the interests of the farmer to prevent excessive price depressions and that, in some manner or another, the plants should see that this is done. It would encourage agriculturalists to plan ahead and provide a steady volume of first-class live stock, particularly hogs, the quota for hogs in the United Kingdom having not yet been filled in any year since the Ottawa Trade Agreement was entered into. It is assumed that the packers would also benefit from increased deliveries.

As mentioned above, the President of Canada Packers, Limited, gave evidence to the effect that the farmer gets the balance of the price of live stock after the packer has deducted his expense and profit. Is it not a fair question to ask the packers if they would be willing to reverse the procedure so that first of all, the farmer would receive sufficient to cover his expense and profit, and let the packers keep the balance? At any rate, it is contended that the present system is unsound economically, as it does not protect the efficient primary producer in the matter of his production costs and a reasonable profit, whereas the processor is protected irrespective of the effect on the producer.

It is further submitted that the Government of Canada should endeavour to negotiate a trade agreement with the Government of the United States, to provide for the reduction on tariff on Canadian cattle entering the United States, and to do away with entirely or greatly increase the quotas now in force. It is also suggested that the Government of Canada in co-operation with the provinces, should take the proper and necessary steps to implement the recommendations of the Price Spreads Commission, and to supervise and regulate the operations of the packing plants in Canada to assure satisfactory minimum prices to the producers of live stock.

CHAPTER IX.

The Forests of the East Slope of the Rocky Mountains in Alberta

We maintain that the Dominion Government should be charged with the cost of the administration and management of, and forest protection in the Rocky Mountain Forest Reserve.

In dealing with the natural and developed functions of the East Slope Forests, no matter how brief the reference may be, it is almost necessary to turn back the pages of history to the times when early settlement indicated the necessity of examining various important factors and influences that would favourably, or otherwise, affect the agricultural development of the western plains.

The effect of forest cover on stream flow regulation has been a matter of common knowledge for so many years that it is but natural to find that explorers, surveyors and government officials of vision found, after having traversed the Western Canadian plains and having noted the tendency towards aridness of an otherwise potentially productive soil, and having noted, also, that the large rivers that flowed through the plains had their source, and largely their water supply from the East Slope watershed, that the conservation of this water would be important and that the answer would be found in the protection of the watershed giving rise to these streams. These men could foresee a vast agricultural development which, for its success, would depend to a large extent on a dependable water supply for domestic use, irrigation and power.

The early references to water conservation and watershed protection are many and varied and show, so often, a desire to avoid the glaring errors of what might be termed "land mismanagement" in other countries. In view of this apparent early understanding of the importance of the East Slope watershed and of beneficial effect of forest cover on stream flow regulation, it is felt that arguments in support of this are wholly superfluous. The fact that the importance of the watershed area was recognized, and that its influence was far reaching, is indicated by early investigations by engineers of repute, and it is stated in the Commission of Conservation Report of 1916, "Water Powers of Manitoba, Saskatchewan and Alberta," page 3, that, "With regard to special measures taken by the Dominion Government in connection with the administration of the water-powers in the

southern portion of the Prairie Provinces, the setting aside of the eastern slope of the Rocky Mountains as a forest reserve, known as the Rocky Mountain Forest Reserve, may be mentioned first. This step was taken on the recommendation of the Commission of Conservation, and, as a result, an area of 17,900 square miles has been assured protection from such denudation as has already taken place in some of the older provinces. *All the upper tributaries of the North Saskatchewan and South Saskatchewan rivers have their sources within this area,* and the beneficial effect of conserving its forest cover is evident as far east as the Grand Rapid on the main Saskatchewan river."

THE ROCKY MOUNTAIN FOREST RESERVE

This forest reserve was established in 1910 and marked a definite advance in the provision for management of this important area. Prior to the establishment of the forest reserve the protection of this watershed forest was dealt with by a small staff of rangers, but as settlement increased, and the public use of the area became more varied and intensive, the necessity for instituting more definite control of all activities affecting the forest became evident.

The reasons for the establishment of this forest reserve are clearly defined in the authorizing legislation quoted here:

"ESTABLISHMENT

"This Act may be cited as the Dominion Forest Reserves and Parks Act.

"Sec. 3:

"1. All Dominion lands within the respective boundaries of the reserves mentioned in the schedule to this Act are hereby withdrawn from sale, settlement and occupancy under the Dominion Lands Act or any other Act, or any regulations made under any Act with respect to mines or mining or timber or timber licenses or any other matter whatsoever; and no Dominion lands within the boundaries of the said reserves shall be sold, leased or otherwise disposed of, or be located or settled upon, and no person shall use or occupy any part of such lands except under the authority of this Act or of regulations made hereunder.

"2. Where any Dominion lands within the boundaries of any reserve have been sold prior to the establishment of such reserve, and the letters patent by which such lands have been sold contain an error in the name, place or residence or occupation of the person to whom such lands were so sold, or in the description of the lands, the Minister may, there being no adverse claim, direct the defective letters patent to be cancelled and letters patent to be issued with such corrections or alterations as he may deem necessary in the premises. [1911, c. 10, s. 2; 1916, c. 15, s. 1.]

"PURPOSE OF ESTABLISHMENT

"Sec. 4:

"The said reserves set apart and established shall be and be known as Dominion Forest Reserves, for the maintenance, protection and reproduction of timber thereon, for the conservation of the minerals and the protection of the animals, birds, and fish therein, and the maintenance of conditions favourable to a continuous water supply, but subject to any regulations made under this Act. [1911, c. 10, s. 3.]"

LOCATION

The forest reserve extends from the north boundary of Waterton Lakes Park along the East Slope of the Mountain and foothill country to slightly beyond the north boundary of Township 60. The eastern boundary was laid out having due regard for future agricultural development and a general control altitude of 4,100 feet was followed by the surveyors responsible.

For its western boundary the reserve has, in various sections, the British Columbia-Alberta boundary and the eastern boundary of both the Banff and Jasper National Parks.

AREA

Slightly in excess of 14,000 square miles.

FUNCTIONS

(Natural) 1. Natural stream flow regulations.
2. Erosion control.
3. Timber supply.
4. Grazing.
5. Wild life habitat.

(Developed) 1. Public recreation.

The natural functions were all recognized early, but with regard to each of them it should be stated that their importance has been emphasized, as passing years showed the great variation of weather and precipitation to which the semi-arid plains region is subject.

At the present time everyone, who is concerned for the welfare of the plains region, is seeking a solution to the various problems found in the areas which have experienced recurring drought. As the difficulty is examined and a solution sought, the East Slope watershed will more than ever be recognized as one of the most important factors that will assist towards a solution.

The fact that the East Slope forest, through stream flow regulation, extends its influence far beyond the eastern boundaries of Alberta is recognized, and as this forest must be considered first as a watershed protective agent, it follows that the

burden of the cost of administration and management should with justice be borne by Dominion authority.

The direct revenue from the forest is very small and in itself does not justify a large outlay of public funds for administration, management or protection, but the indirect benefits are so widespread and of such vital importance that large expenditures are justified.

In the United States it has been found necessary for the Federal Government to purchase similar areas from the various states in order that important areas might be placed under intensive protection. A protection that viewed nationally is only too necessary, but that viewed by the state concerned may not be of first importance, and in many cases regardless of the importance of the matter, it is beyond the financial ability of the state to make adequate provision of funds.

This situation has been recognized and definitely dealt with by Federal legislation under the Clarke-McNary Act, the McNary-Woodruff Act and the McSweeney-McNary Act.

The situation in Alberta, with respect to the East Slope, is quite similar to many found in the United States and it is felt that, in justice to Alberta and in view of the fact that East Slope forests extend their influence far beyond the boundaries of Alberta, it is reasonable to propose that responsibity for the cost of administration, management and forest protection should be resumed by the Dominion Government.

The following is a statement of operating expenses for the Rocky Mountain Forest Reserve from April 1st, 1931, to March 31st, 1937, including fire fighting costs and timber losses.

Fiscal Year	Salaries	Expenses	Fire Fighting	Timber Losses
1931-2	$ 84,536.61	$ 49,548.07	$ 2,298.02	$ 154,651.47
1932-3	64,126.82	12,975.24	2,870.27	8,790.73
1933-4	57,832.54	13,075.24	16,661.68	81,063.66
1934-5	61,016.40	16,063.41	16,195.80	78,703.25
1935-6	58,799.10	17,156.00	27.75	45.00
1936-7	60,205.11	19,227.90	103,696.07	1,423,808.45
	$386,516.58	$128,045.86	$141,749.59	$1,747,062.56

Approximately 66 per cent of fire fighting costs and timber losses for the year 1936-37 were caused by fires entering southwestern Alberta from British Columbia.

CHAPTER X.

The Problem of Adequate Highways

From the earliest days of recorded history, highways have played an important part in the progress of civilization. They provide the arteries for the movement of trade and commerce as well as the movement of people from one centre to another, and from one country to another. The invention of the locomotive for a time diverted the main channels of traffic from the highways to the rail routes of the world. The advent of the motor car however, and the rapid development of transportation by motor truck, have made the highway a serious competitor of the railroads as a factor of first importance in the economy of a country. The extent to which this is now recognized is evidenced by the huge public expenditures now being made in all countries for highway improvement.

In the older parts of Canada, the building of roads had been going on from the days when the Central and Eastern Provinces were Crown Colonies. In the division of administrative responsibility following Confederation, the building of roads was regarded as one of the primary functions of the Provinces, and as the demand for social services had not yet arisen, a goodly portion of the ordinary revenue of the Provinces could be used for that purpose. Before Alberta became a Province, many miles of gravel surfaced highways had already been constructed in the Eastern Provinces, providing all-weather roads between the centres of population. The introduction of the motor car, found these Provinces well equipped with all-weather roads, and able to direct their financial resources to much more improved types of well surfaced main highways.

When the Province of Alberta was formed in 1905, very few miles of even ordinary dirt road had been built. The prairie trail was still a distinctive feature of the landscape. Since that time the problem of providing adequate highways has been a tremendous one. A rapidly growing population, scattered over a huge area; a much greater mileage than any of the older Provinces; the motor car and truck creating extra demands within the first decade; and new demands for social services arising before the end of the first twenty years—these are some of the considerations that must be kept in mind in any examination of the financial record of the Province.

The earliest reports of the proceedings in the Alberta legislature, suggest the extent to which road expenditure was recognized even then as a serious problem. The Speech from the Throne delivered on March 15th, 1906, referred to the problem in the following words, "The influx of immigration and rapid settlement of the Province, renders imperative a progressive policy with regard to the construction and repair of roads and bridges, and your consent will be asked to the provisions it is proposed to make for this purpose." The Minister of Public Works on March 21st, 1906, said in the Legislative Assembly, "The Department has a very important work to undertake in supplying the great number of settlers who are coming into the country, with roads and bridges, but the country is so large that I have not had time to familiarize myself with it. It will possibly take me a year or perhaps two years."

A reference to the public accounts will show that in that same year (1906) a total sum of $485,685, was expended on capital and income account. This expenditure rapidly increased in the succeeding years so that, in 1912, the total expenditure was $1,444,495. Incidentally it is interesting to note that the first revenue from motor car licenses was received in 1906, amounting to $123.00. By 1912, this had grown to $31,012. It is also important to note that in this period the Provincial Government made an appeal to Ottawa for a greater concentration of settlement, but the appeal was unsuccessful.

In 1919, great impetus was given to highway construction in Canada, when the Dominion Government, realizing that an adequate system of highways in Canada was a matter of national, as well as Provincial importance, passed The Canada Highway Act.

By that Act, the Dominion undertook to distribute among the Provinces $20,000,000 in federal aid, over a period of five years. Each Province was to be allotted annually a flat sum of $80,000, the remainder of the annual grant being apportioned according to population. The federal grant was limited to 40 per cent of the cost of construction or improvement of a highway. Agreements were to be negotiated with the Provinces, and the Governor General in Council was given the power to make appropriate regulations. Only main highways were to receive aid, and Provincial expenditure under the Act was to be in addition to the usual expenditure for highways. The Provinces were to submit a five-year programme of construction, together with a classification of roads according to their importance. If this programme was approved, a Province might make application to

bring specific portions of its system under the Act, by submitting a "project statement," which would explain why a project was to be carried out, what it was to cost, and how it was to be financed. The whole initial cost was borne by the Province, but after a federal engineer had reported that the work was satisfactory, and after a federal auditor had reported upon the Provincial accounts, 40 per cent of the cost was paid to the Provincial Government from the Dominion treasury. The Province agreed to maintain these highways in good condition.

This legislation served a good purpose and it is difficult to understand why the plan thus initiated was not continued. A stimulus was given to road building. It is true that the motor car and the truck would have forced the Province into more extensive highway programmes in any event, and some Provinces had already undertaken substantial programme of highway development. Their plans were no doubt enlarged, however, by the Dominion aid. Moreover, the Federal Act led to better Provincial planning. More careful surveys were made and the need of inter-Provincial connections were considered. The Federal engineers also stressed the need of proper location of a road, the value of good drainage and a broad right-of-way and the necessity of minimizing curves. Federal inspection probably led to more uniform classification of expenditure and better systems of accounting. A start was made in the study of proper road materials and designs to meet traffic requirements. The reasons for the success of this measure are; firstly, that the aims to be attained were comparatively simple, and secondly, that there was excellent co-operation between the Provinces and the Dominion.

Alberta was one of the last of the Provinces to take advantage of this measure. Because of fiscal difficulties, it was not until 1924 that the Province submitted the necessary five-year programme. The projects finally approved, may be considered the first attempt in this Province, to build roads according to modern standards of highway construction, and with gravel surfacing. The total amount received by the Province from the Dominion was approximately $1,500,000.

Of 90,000 miles of road in Alberta, less than 100 miles are reported as hard surfaced.(1) During the past year, (1937) however, considerable progress was made in providing a dust-free surface by what is called the "blotter" type of surfacing. Approximately 153 miles of this construction were completed in that year. About 2,500 miles are gravelled, and the balance of the mileage is plain dirt or earth roads. Actually since only 2,500

(1) Canada Year Book, 1937, p. 667, gives mileage erroneously as 60,000.

miles out of a total of 90,000 miles have been gravelled or surfaced, it is obvious that a tremendous programme of gravelling should precede hard surfacing if the Province is left to undertake the work unassisted.

The Canada Year Book states, "One sphere where the motor car has been of special economic advantage, has been in rural areas, where its speed and economy are a great improvement over the old horse-drawn vehicle." This is very true, but it must be qualified on account of road conditions in the Western Provinces. In the United States, estimates show that hundreds of millions of dollars have been added to the value of agricultural produce by good roads. Instead of driving cattle to market over long distances, they are loaded into trucks and within a few hours are at the stock yards and sold. "Shrinkage" is reduced to a minimum. Vegetables, fruits and dairy products are marketed with equal despatch and with the smallest possible loss. The same could be said of the production of the Central Provinces. In Alberta the truck is being used extensively, but the value of this method of transportation is limited by the comparatively small mileage of gravelled roads.

That the scattered character of population, places a heavy burden on the people and the Government, has already been pointed out. The great distances to adequate shopping centres, schools, churches and places of entertainment means a relatively high expenditure for travel. The inferior quality of the roads increases these expenses. Gasoline, tires, car upkeep and depreciation are the costs that mount as the car is driven over inferior road surfaces; they are the costs that decrease on hard surfaces.

Average cost of car operation per mile for the four items, that vary on different road surfaces, according to Dean T. R. Agg, Iowa State College, is indicated in the accompanying tabulation:

	Concrete	Intermediate Type	Low Type
	(Cents)	(Cents)	(Cents)
Gasoline	1.09	1.31	1.61
Tires and Tubes	0.29	0.64	0.84
Car Upkeep	1.43	1.72	2.11
Depreciation	1.26	1.39	1.57
TOTAL	4.07	5.06	6.13

The driver saves up to one cent a mile on hard surface, compared with intermediate type roads and up to two cents a mile on hard surface compared with low type roads. Assuming that

the average motorist drives 7,500 miles a year, on hard surface rather than on intermediate or low type roads, he will save $75.00 to $150.00—from two to four times the cost of gas taxes and license fee.

Another study, the results of which are recorded in the accompanying tabulation, bears out the conclusions of the foregoing. The increased cost of gasoline, tires and maintenance especially, on low type roads is pronounced.

EFFECT OF ROAD CONDITION ON VARIOUS ITEMS OF OPERATING COST

Item of Cost	Sum expended for the item when using high type roads	Sum required for equal mileage on intermediate type roads	Sum required for equal mileage on low type roads
Gasoline	$1.00	$1.20	$1.47
Oil	1.00	1.00	1.00
Tires and Tubes	1.00	2.22	2.90
Maintenance	1.00	1.20	1.47
Depreciation	1.00	1.10	1.24
License	1.00	1.00	1.00
Garage	1.00	1.00	1.00
Interest	1.00	1.00	1.00
Insurance	1.00	1.00	1.00

The utility per gallon of gasoline consumed, is much less in the Prairie Provinces than in more thickly settled communities, not only because of the greater distance per trip, but also because of the extra wear and tear on the machine and tires and because of the increased gasoline consumption per mile. Another very important feature to consider is that gravelled highways are much more dangerous than hard surfaced highways, owing to the nature of the substance itself and to the dust created by traffic. The objective should be to decrease the hazard.

Under the existing system even although enormous supplies of the requisite materials have been available, Alberta has so many miles of road to build and maintain, that it has been impossible to finance hard surfacing. The accompanying table indicates that the Western Provinces have an inordinately large road mileage. Alberta, for example, has to maintain 500 per cent more miles of highway per 1,000 population than Ontario, and 200 per cent more than the people of Canada generally. The difficulty of financing an adequate programme of construction and surfacing is therefore apparent.

Province	Miles of Highway[1] per 1,000 population
Prince Edward Island	41
Nova Scotia	29
New Brunswick	28
Quebec	12
Ontario	20
Manitoba	49
Saskatchewan	169
Alberta	123
British Columbia	32
CANADA	42

The Saskatchewan figure apparently includes all road allowances in surveyed territory. If we used a similar figure for Alberta the mileage of roads would be 168,076, but the figure here used of 90,000 miles includes only roads actually travelled now.

During the depression following 1929, expenditures had to be reduced drastically in the majority of the Provinces, as the accompanying table reveals:

HIGHWAY EXPENDITURES[2]
(In Thousands)

Province	Capital			Maintenance		
	1931	1935	Percentage of 1935	1931	1935	Percentage of 1935
Prince Edward Is.	$ 310	$ 998	321.9	$ 341	$ 444	130.2
Nova Scotia	4,198	5,133	122.3	1,895	1,734	91.5
New Brunswick	3,596	3,781	105.1	747	1,390	186.1
Quebec	11,873	6,466	54.5	4,855	3,921	80.8
Ontario	23,709	20,769	87.6	8,123	7,566	93.1
Manitoba	2,779	151	5.4	906	452	49.9
Saskatchewan	6,702	469	7.0	1,049	1,208	115.2
Alberta	4,379	2,053	46.9	2,087	1,164	55.8
British Columbia	8,705	2,619	30.1	2,284	3,838	168.0
CANADA	$66,250	$42,439	64.1	$22,287	$21,717	97.4

Capital expenditures in Canada on highways dropped from 66 million dollars in 1931 to 42 million dollars in 1935, a decline of 36 per cent, but in Alberta these expenditures dropped from $4,379,000 to $2,053,000 or 53 per cent. During the same period maintenance expenditures in Canada dropped from $22,287,000 to $21,717,000, or 2½ per cent, but in Alberta these expenditures had to be cut nearly one million dollars, or about 45 per cent. This reduction is of course reflected in the conditions of the roads. During this same period several of the other Provinces were able to increase their capital and maintenance expenditures, much to

(1) Canada Year Book, 1936, p. 686. Based on 1931 census.
(2) Canada Year Book, 1937, p. 671.

the improvement of their transportation conditions. The deterioration during this period was so serious that in many places it imperilled the original investment in grading, gravelling and surfacing. It is imperative that this investment be not impaired any further.

From the standpoint of the economic welfare of the whole Dominion, Alberta is one Province that should have a substantial mileage of hard surfaced highways. With its three great national parks, Banff, Jasper and Waterton Lakes, comprising 4,500,000 acres of mountain scenery, Alberta offers to tourists attractions of an unsurpassed character. The summer climate is excellent; the air is dry, the nights are cool and the day time temperature seldom exceeds 80 degrees Fahrenheit. The winters are tempered by the chinook winds and the areas around Banff and Jasper are ideal for winter sports. To the attraction of this mountain scenery may be added the National Buffalo Park at Wainwright, the Provincial Parks at Elk Island and at several of the lakes, and the Bad Lands of the Red Deer River, which furnish fossils of prehistoric monsters to the museums of the world. To these unusual points of interest should be added unrivalled opportunities for hunting, fishing and other sports. For the exploitation of these attractions a considerable capital expenditure has been made in hotel accommodations, highway and other improvements

From an economic standpoint the market for goods and services furnished by an influx of tourists is not only a lucrative source of revenue for individuals and for whole districts,(1) but is, for Canada, an important factor in the balance of international payment. The expenditure of foreign visitors in a country has the same effect, in so far as its influence upon the balance of trade is concerned, as the export of additional commodities would have. Instead of sending goods and services to consumers abroad, the latter are induced to move to the goods and services. Thus, tourist traffic is an invisible export which helps Canada to pay for the goods and services it buys from other countries, or to pay interest on the money it borrows from abroad.

The growing realization of the importance of tourist travel, has led to many efforts to encourage it in every possible way, especially by extensive advertising in foreign countries and by

(1) Visible evidence of the employment and business opportunities created along good highways is seen in the growth of filling stations, restaurants, tourist camps and other recreational facilities. There is nothing more certain than that the three national parks of Alberta would make a valuable contribution to employment opportunities, if the Province had the means to provide ready access from the American border.

the simplification of vexatious customs and immigration formalities. In 1934, the Dominion Government established the Canadian Travel Bureau to undertake tourist travel promotion as a national effort in co-operation with the various tourist travel and publicity agencies, both public and private, throughout the Dominion. The Bureau is assisted by an Advisory Council consisting of the Directors of Information of the Provincial Governments, representatives of the Dominion Departments and Services interested in tourist travel promotion, and members of the Executive Committee of the Canadian Association of Tourist and Publicity Bureaus.

For the operation of Jasper and Banff National Parks alone, the Dominion Government voted $434,000 for the 1937-38 season. In 1929, 55 per cent of all tourists to Canadian National Parks, visited parks in Alberta. Of Canada's single commodity exports, only wheat and paper rank with tourist traffic in importance, and in several of the recent depression years the latter has surpassed both. The Dominion Bureau of Statistics estimated that foreign tourists spent 309 million dollars, in Canada in 1929, and 256 million dollars in 1936. Those entering via the United States boundary by motor car were responsible for the expenditure of 159 million dollars in Canada, or nearly 65 per cent of the total tourist expenditures in 1936.(1)

Estimates of the division of this expenditure according to Provinces are as follows:

Maritime Provinces	$ 9,948,000
Quebec	33,163,000
Ontario	101,678,000
Manitoba	959,000
Alberta	1,039,000
British Columbia	10,687,000

It is of course impossible to accurately divide the estimated revenue from tourists according to Provinces, and it is no doubt true that Alberta shared in the expenditure from tourists entering Canada, through ports in other Provinces, particularly British Columbia. It is acknowledged also that there is a larger potential tourist population in that part of the United States south of the Eastern Provinces, than south of the Prairie Provinces. But on the other hand, the Banff and Jasper Parks are internationally famous. There is no doubt that the comparatively small share of this tourist expenditure, is traceable mainly to the condition of the roads in the Province.

(1) Canada's Tourist Trade, 1936, Dominion Bureau of Statistics, Ottawa.

The American motorists are accustomed to well surfaced roads, and there is ample evidence that large numbers of them are being kept away from this part of Canada annually, by the dust and the general condition of Alberta roads.

Canada is no doubt failing to capitalize fully on the scenic attractions of these mountain resorts, by leaving the full responsibility for the construction and upkeep of the roads leading to them to the Province. The early completion of the road now being constructed by the Dominion from Lake Louise to Jasper, would provide nearly 300 miles of scenic mountain roads unrivalled on the North American continent. Assistance by the Dominion in the construction of properly surfaced highways leading from the American border to these resorts, both from ports in Alberta and British Columbia, would result in a summer tourist traffic of such volume that its possibilities in increased trade and the consequent relief of unemployment cannot be fully estimated.

Without wishing to take a critical attitude, it is submitted that the Dominion Government has not made the national contribution towards highway development, that other federal governments have made. In every State in the Union certain highways have been designated as Federal-aid highways.

The assistance granted by the Federal Government towards the construction of these highways dates from the so-called Federal Aid Road Act of 1916, supplemented by The Federal Highway Act of 1921 and subsequent legislation. Without entering into a detailed explanation of its legislation, or a lengthy discussion of what has been accomplished, it is sufficient to say that up to 1936 the United States Government contributed over one and a quarter billions of dollars to highways. For the fiscal year 1936 somewhat in excess of 200 million dollars were contributed. In 1935 the total income of state highways departments was about 900 million dollars and of this sum the Federal Government contributed about 25 per cent. This proportion was somewhat larger than normally, due to the problems of relief employment, but in many other years the Federal contribution ranged from 10 to 20 per cent of the total costs of state highway systems.

The Federal allotments are divided according to the following objective scales: One-third in the ratio which the area of each State bears to the total area of all the States, one-third in the ratio which the population of each State bears to the total population of the United States, and one-third in the ratio which the mileage of rural free delivery routes and star routes in each State bears to the total mileage of such routes in all the States, but no State is to receive less than one-half of one per cent of each

year's allotment. Two and a half per cent of the annual allotments is reserved to the Secretary of Agriculture in charge of the law for administration and research.(1) In Australia, grants by the Federal Government are distributed on the basis of population and area. Federal aid may now amount to $25,000 per mile; the roads after completion are maintained by the States. Aid may be extended to secondary and feeder roads, on the theory that the farm-to-market roads are crucial in an agricultural economy. In Canada under the Act of 1916, aid was granted on the basis of population only.

With the exceptions of highway aid provided for under the 1919 Act, and moderate sums during the depression of the 1930's as unemployment relief, the Dominion of Canada has made practically no contributions to Provincial highway systems. During the depression following 1929, the Dominion did make some contribution to highways, about 4 million dollars in 1931 and 1933, and about 10 million dollars in 1935. Meantime, the Provincial Governments spent 76 million dollars in 1929, slightly less in 1931, 32 million dollars in 1933, and 51 million dollars in 1935.(2)

In contrast the Federal Government of Australia gave grants amounting in the aggregate to about $8,750,000 to the Australian States in 1922-23, 1924-25 and 1925-26 for the purpose of reconditioning certain main roads. $7,500,000 of this amount was on the basis of expenditure by the States of an equivalent amount. In 1926, the Commonwealth Government provided for a highways grant of about 10 million dollars annually, for ten years, under The Federal Aid Roads Act of that year and, in 1935, paid in grants to the several States about 12 million dollars. Altogether the Commonwealth Government paid to the States for road construction from 1922-23 to 1934-35 approximately 100 million dollars.

The Government of Alberta believes that the policy adopted by the Government of the United States and the Government of the Commonwealth of Australia, in granting substantial aid annually to highway construction, is based on sound principles, and that it is very necessary that a further programme of Dominion aid to the Provinces should be inaugurated in Canada.

It suggests that this aid should be sufficient and continue for a sufficient number of years to provide the following construction: Firstly; the Dominion should by itself undertake the construction and maintenance of a properly surfaced trans-Canada highway. Secondly; aid should be given this Province in

(1) United States Code Annotated, Title 23, Sec. 21. This objective standard eliminates the struggle for "better terms" which has been characteristic of Dominion-Provincial relations in Canada.
(2) Canada Year Book, 1937.

constructing one hard surfaced highway running north and south in Alberta, from the American boundary through Calgary to Edmonton, with the necessary branches to Banff and Jasper. Thirdly, aid should then be provided to complete the surfacing of the balance of what is now considered the main highway system of the Province. Within a period of five years the following roads should receive bituminous surfacing.

	Miles
Lloydminster to Edmonton	186
Medicine Hat to Crow's Nest	217
Edmonton to Mirror Landing	147
TOTAL	550

In order to construct the number of miles required the following approximate expenditures would be necessary:

Regrade 400 miles of earth grade, cost of which includes bridges, culverts and all necessary materials, also gravel sub-base, at $7,000 per mile would be	$2,800,000
Bituminous surface 550 miles of two to three-inch asphalt material	$3,300,000

In order to appreciate fully the magnitude of the task confronting this Province in developing a proper system of highways, the following facts are of interest.

1. Apart entirely from the mileage above mentioned there are approximately 2,000 miles of gravel surfaced main highways which are now in a comparatively low state of repair. It would be advisable to recondition and regravel a large portion of this mileage, before the investment already incurred by the Province is lost. The cost of such reconstruction would be approximately:

Regrade and recondition, including bridges, culverts, etc.	$3,000,000
Regravel	2,000,000
Total Cost	$5,000,000

It should be observed that the annual expenditure for maintenance of main highways in this Province is now approximately $800,000 per annum. If the important portions of the main highway system were properly surfaced it would be quite reasonable to expect a reduction in the total annual maintenance charged by approximately $250,000.

2. Then there are in this Province approximately 7,500 small bridges, mostly of wooden structure. The minimum expenditure that has been required to maintain these bridges in a fair state of repair, has been about $300,000 per annum. A programme of replacement should be inaugurated to replace a large number of

these structures with more permanent structures of concrete or the installation of corrugated iron culverts of sufficient size. Such a programme will involve an annual expenditure of $500,-000 for a period of years.

3. Again on account of the difficulty of collecting taxes in Improvement Districts, the construction and maintenance of colonization and local roads has not kept abreast of the settlement, and in areas in the North-eastern and North-western parts of the Province colonization roads are urgently required, particularly in the Peace River, Grande Prairie, High Prairie, Slave Lake, Lac la Biche, St. Paul, Cold Lake and Athabasca Districts.

4. In a great many places there are areas settled that have practically no egress by means of roads at all. At least $400,000 per annum is necessary for these roads over a period of the next five years. It is only reasonable to suppose that this class of settlement will increase during that period, on account of farmers from the dried-out areas of the Southern part of the Province and from our neighboring Province of Saskatchewan who will be settling these unsettled districts of the Province during that period.

5. Because of the great number of rivers in the Province of Alberta, the Government has a very serious problem of bridges and ferries. There are fifty-seven ferries across rivers as shown in the following table:

Rivers	No. of Ferries
Athabasca	5
Bow	4
Big Smoky	1
Narrows Lac Ste. Anne	1
McLeod	4
North Saskatchewan	19
Peace	2
Pembina	6
Red Deer	12
South Saskatchewan	2
Wapiti	1
Total	57

The annual average cost of operating these fifty-seven ferries over a period of the last four years has been $56,490, and the average cost of renewals and replacements over the same period has been $16,210. A large number of these ferries should be replaced by construction of bridges, as there is considerable delay in vehicular traffic, due to the fact that bridges do not exist. Farmers sometimes have to wait for hours with their wheat and other produce, for their turn to cross the ferry. Insistent demands are being made upon the Government for bridges

at these points. It is felt that at least 45 of these 57 ferries have a traffic density that warrants them being replaced with bridges. The cost of such replacements would be about $5,265,000. At least 13 new bridges are urgently needed, and the estimated cost of these bridges is $1,360,000.

6. In considering this highway problem, it must be remembered also that the Municipal Districts have been responsible for a very important part of road construction. Under the scheme of distribution prevailing in this Province, the Provincial Government has assumed responsibility for the main arteries of traffic between the more important cities and towns, and it has also shared with the Municipal Districts in the construction costs of certain designated roads which have been termed secondary highways. After the construction of these secondary highways, the maintenance costs are assumed by the Province. All other roads in organized Municipal Districts are left to the Municipal Districts, both with respect to construction and maintenance. The Province assisted the Municipal Districts in the construction and maintenance of these roads for a number of years by annual grants. After 1930, however, these grants have only been provided in two years and no grants have been paid since 1935. As a result, road construction and maintenance by Municipal Districts is only carried on to a very small extent. If assistance were rendered to the Province with respect to expenditures for main highway purposes, the Province could in turn give the Municipal Districts some further assistance.

7. Although substantial revenues have been received from gasoline and motor vehicle taxation, only in two years during the period from 1905 to 1937, did the revenues from these two sources exceed the expenditures on highways. Table I is a statement of the income and capital expenditures on roads, bridges and ferries from 1905 to March 31st, 1937 (inclusive), and revenue from motor license and gasoline tax for the same period. Totals are shown up to, and including 1928, and expenditures and revenue given in detail from that date until March 31st, 1937. It will be noted that the Province has expended in all, over 79 million dollars, and has only received from motor license and gasoline tax about 43 million dollars. It should also be noted that the administration cost in connection with the collection of motor license and gasoline tax and the general administration cost of the Department of Public Works are not included in the statement. The figures also indicate that revenues decreased materially during the depression in spite of an increase in gasoline tax in 1933 to six cents per gallon and in 1936, to seven cents per gallon.

An examination of the facts submitted in this section will reveal quite clearly, the very serious nature of the problem which confronts this Province in providing, for its people, a system of highways and roads even reasonably in keeping with those standards which modern transportation methods demand. Under existing circumstances Alberta cannot hope to deal adequately with the problem. In the meantime the population of the Province of necessity must submit to road conditions that would not be tolerated in the older Provinces. If the Dominion Government inaugurated again a comprehensive scheme of financial aid, a very great service would result to the people of this Province.

This is a type of Dominion aid that would be self-liquidating. Apart entirely from the benefit which would follow from increased tourist traffic as already discussed, it is a matter of common knowledge that motor car and truck traffic increases very rapidly with the improvement of highways. Highway construction and improvement should be regarded as an investment which pays dividends to the Province in the shape of revenues from gasoline taxes and motor car license fees, and to the Dominion by revenues by the customs and excise tariff on gasoline and oil products as well as from the indirect retail sales that inevitably accompany the increase in automobile and truck traffic.

TABLE I

GOVERNMENT OF THE PROVINCE OF ALBERTA

INCOME AND CAPITAL EXPENDITURES ON ROADS, BRIDGES AND FERRIES FROM 1905 TO MARCH 31, 1937 (INCLUSIVE) AND REVENUE FROM MOTOR LICENSES AND GASOLINE TAX FOR THE SAME PERIOD

Year	EXPENDITURE					REVENUE		
	Income Expenditure	Interest and Sinking Fund	Total Income Expenditure	Capital Expenditure	Total Expenditure Capital & Income	Motor Licenses	Gasoline Tax	TOTAL
Totals for years 1905 to Mar. 31, 1928 (incl.)	$ 9,479,081	$ 8,665,440	$18,144,521	$18,037,457	$36,181,978	$ 9,680,915	$ 2,258,547	$11,939,462
1928-29	796,004	1,173,423	1,969,427	2,597,990	4,567,417	2,124,972	1,306,627	3,431,599
1929-30	1,187,109	1,333,285	2,520,394	2,849,595	5,369,989	2,023,414	1,793,251	3,816,665
1930-31	1,556,867	1,565,493	3,122,360	4,284,282	7,406,642	1,693,757	1,931,603	3,625,360
1931-32	1,620,199	1,737,706	3,357,905	3,076,319	6,434,224	1,474,353	1,501,197	2,975,550
1932-33	945,249	1,863,721	2,808,970	1,738,642	4,547,612	1,552,613	1,517,094	3,069,707
1933-34	780,534	1,878,673	2,659,207	245,712	2,904,919	1,667,717	1,724,452	3,392,169
1934-35	798,586	1,939,850	2,738,436	1,309,680	4,048,116	1,618,315	1,945,260	3,563,575
1935-36	726,053	2,039,309	2,765,362	1,878,472	4,643,834	1,424,978	2,220,906	3,645,884
1936-37	1,035,845	1,150,514	2,186,359	1,339,825	3,526,184	1,112,389	2,455,362	3,567,751
	$18,925,527	$23,347,414	$42,272,941	$37,357,974	$79,630,915	$24,373,423	$18,654,299	$43,027,722

CHAPTER XI.

The Problem of Education

Education and Federal Responsibility

Canada is interested in establishing and improving democracy and certainly, in the opinion of the average citizen, Education is the greatest of all agencies for accomplishing this purpose.

Statistics show that during the years of depression, expenditures on education have been reduced to a point where, if reduced farther, this greatest of all public services cannot be effectively given. Indeed, students of this problem are convinced that we must incur greatly increased expenditures or run the risk of seriously endangering our educational standard. As a nation, failure to provide these expenditures is against our best interests. It is costing us more money to provide for the increased numbers on the secondary and college levels. The provision of even a modest programme of technical, agricultural, vocational and adult education, to say nothing of equalizing the educational opportunities we now enjoy, particularly in the rural areas, offers such a task under the present system of financial restrictions, as to be quite beyond the financial possibility of an agricultural economy such as that of Alberta, just emerging from the pioneering stage. A moment's consideration will convince anyone that the provision of such expanded opportunities is the concern not only of Albertans but of all Canadians. It is of vital importance that those elements of our population with backgrounds and traditions other than Canadian, should be assimilated and be made to feel themselves an integral part of Canadian national life at the earliest possible date. In this accomplishment every patriotic citizen is interested and as soon as he realizes that the cost is part of the price we must pay for democracy he will not hesitate to pay.

Inter-Provincial Migration and Federal Responsibility

Because of the absence of legal restrictions on migrations from one province to another within the Dominion, the educational standard of one province is of grave concern to the other provinces. If people migrate from low standard areas to a province of better educational standards, the latter will suffer by

the infiltration of ill-equipped masses. It is therefore imperative that the Federal Government should see to it that the standard of education in each province is not kept at a lower level than necessary due to financial limitations.

In England the national attitude toward education has undergone a marked change, and now few Englishmen question the principle that education is a national responsibility. The national treasury in England is now responsible for about 55 per cent of the cost of local education. Grants for education in the modern state are almost indispensable. If the state is federal, the grants are made to the constituent parts; if it is unitary the grants are made to the local school authorities.

That a situation similar to our own obtains in the United States is shown by the following quotation:

> "Larger participation by the Federal Government in the financing of public education has been advocated by many students of the problem of educational finance during the past two decades. This advocacy is based upon the known facts of the lack of significant educational opportunity for hundreds of thousands of American boys and girls and upon the increasing evidence of the disparity among the states in ability to support schools.
>
> "The obligation of the nation to provide support for public education is fundamental. Schools and other means of education have been recognized from the beginning of our history as necessary for the maintenance of the nation and for the prosperity of its people.
>
> "It was in line with this early appreciation of the importance of education that action was taken by the Congress of the United States in the support of schools. As the nation expanded beyond the thirteen original colonies, land was set aside in each state by the Federal Government for the support of common schools. Later moneys and land were provided for the support of higher education. In more recent years money has been granted for the development of agricultural experiment stations, for vocational education, for the rehabilitation of those injured in the Great War, for persons disabled in industry, for a programme of education of youth and adults through the extension service of the Department of Agriculture, and for many other purposes.
>
> "But all of the measures taken up to the present time are insufficient to meet the legitimate demand for an acceptable programme of education for all children and youths throughout the nation. There are children in the United States for whom no school at all or a very minimum term of three or four months is provided. There are others who are taught by teachers with inadequate preparation. There are still others for whom the necessary books and other educational

supplies are wanting. There are hundreds of thousands enrolled in schools in which the opportunities provided are limited to a traditional school curriculum which takes little or no account of the special aptitudes or abilities of those who vary in intelligence, in interests, or in vocational outlook from the selected group for whom the schools were originally organized.

"Children who are denied education in the poorer sections of the country to-day will live in other parts of the United States and will be responsible for government, local, state, and national, in the years which lie ahead. From those areas in which educational opportunity is most meagre there will be recruited the population of our cities." (John and Margaret Norton—"Wealth, Children and Education", Columbia University, 1937).

The educational expenditure in several states is four times that in other states per school child. Carefully constructed indices of ability to support education reveal that the richest states have a capacity to support education equal to five times the ability of the poorer states. Still greater variations prevail among school districts of a state.

Because a province is too poor or an area within a province is too depressed to furnish an adequate programme of education is no fault of the children who are found there. Poorly equipped schools, underpaid and dissatisfied teachers cannot produce an environment for our children which is conducive to mental health and a progressive society. This is one reason for claiming that education is a national problem and should command a national interest. The productivity, the mental tone and the outlook of all our people make Canada what it is. If an area is depressed, if its children suffer and become disillusioned, the effect on the social and economic institutions wrought out of the experience of hundreds of years may be disastrous. A spirit of reckless and irresponsible experimentation in education may result in immeasurable damage to the fabric of society. Recent European experience has shown that we cannot afford to permit our young people to become discouraged.

THE SITUATION IN ALBERTA

During the past few years the tendency has been for expenditures on education to decline in the Province, although not to the same extent as in the neighbouring Province of Saskatchewan. This decline resulted from two causes. Due to declining revenues following the year 1930, the Government could not continue to pay the grants to school districts on the same basis as prior to that year and because of the necessity for large expenditures for unemployment relief and other services, it could

not continue to allocate as large a proportion of its total available revenue to this service as was allocated in pre-depression years. But to a greater extent the decline has been due to the fact that the boards of trustees of many school districts have been obliged, by the ratepayers in their districts, to reduce expenses to a minimum in order to lighten the burden of taxation so difficult to meet when the prices of farm products were so low.

TABLE I.(1)

TOTAL AND PER CAPITA EXPENDITURE FOR EDUCATION

Year	Total	Per Capita
1921(2)	$2,549,850	$4.33
1931(3)	3,043,714	4.16
1935	2,285,350	2.98
1936	2,452,317	3.17
1937	2,552,433	3.30

(1) Public Accts., Alta., p. 96.
(2) As at December 31st.
(3) As at March 31st.

The extent of the reduction in total Provincial expenditures is shown in Table I, from which it will be observed that the annual expenditure dropped from over $3,043,714 in 1931 to $2,285,350 in 1935, or a reduction of over 20 per cent. Since 1935 there has been a gradual improvement. An analysis of the reductions made, will show that they were not confined to any one item in the departmental vote but all items making up the total expenditure vote were reduced to a greater or lesser degree. Probably the largest single reduction in the various votes took place in the vote to the University, where the reduction was well over 20 per cent. It is interesting to note from Table I that the Province has not been able to maintain the same ratio of expenditure since 1921. In that year the per capita expenditure was $4.33, a per capita sum which has not been equalled since, not even in the years of high prices for farm produce prior to the depression years. The explanation, of course, lies in the fact that other services were demanding a share of the available annual revenue which could not be provided without reducing somewhat the proportion which had formerly been allocated to education.

This same trend is indicated again in Table II which shows that while the total expenditure for education has been greater in the years following 1926 than in that year, still the proportion which the annual expenditure on education bore to the total annual expenditure has decreased. Table II also indicates that this trend is not peculiar to this Province, but is found following a similar course as shown by an analysis of the expenditures of the other Provinces.

TABLE II.

PROVINCIAL EXPENDITURES FOR EDUCATION(1)

	Manitoba		Saskatchewan		Alberta		All Provinces	
1926	$2.12(2)	24%(3)	$3.35(2)	33%(3)	$2.24(2)	22%(3)	$25.16(2)	20%(3)
1929	2.44	21%	3.95	30%	2.61	18%	29.59	17%
1932	2.12	21%	2.89	21%	2.54	20%	28.80	17%
1935	1.74	14%	3.11	24%	2.45	18%	26.24	14%

(1) National Finance Committee, 1936, Bank of Canada.
(2) Millions.
(3) Per cent of that year's net revenue.

It would appear from this Table, however, that until the last two or three years, Alberta has not allocated as large a proportion of its total expenditure to the welfare of education as Manitoba and Saskatchewan have done. This has no doubt been due to the pressure on the Provincial Budget of such problems as the Northern railways and the irrigation districts.

A clearer indication of the extent to which Provincial expenditure for education has declined during the years of depression, is found in the record of the annual grants to school districts as set out in Table III.

TABLE III.

For Year Ended March 31st	Total Grants Paid	Rate of Grant for One Room Rural Schools (Cents)	Max. No. of days for which Grant is Payable (Reg. Grant)	Max. No. of days 26 Grant is Payable
1930	$1,436,265	90	200	160
1931	1,766,531	90	200	160
1932	1,369,499	90	180	160
1933	1,466,867	90	180	160
1934	1,525,632	90	180	160
1935	1,391,019	90	180	160
1936	1,451,080	75	200	200
1937	1,585,432	75	200	200

Prior to 1931, these grants had been paid on the basis of 90 cents per day for a one-room school, and were payable for not more than 200 days in the school year. In the cities where more than forty teachers were employed the grant for each elementary room was 70 cents per day and if one hundred or more teachers were employed the grant was only 50 cents per day. It will be observed that the first change in the basis of payment of these grants took place in 1932. In the previous year the Province had expended in grants a total of over $1,766,000, although this expenditure included arrears of approximately $200,000 carried over from the previous year. In 1932 due to

declining revenues a reduction in these grants was inevitable, and the term for which the grant was payable was reduced to 180 days. Payment on this basis continued until 1936, when the rate was reduced to a basis of 75 cents per day for a one-room school, but this grant was again paid for a term of not more than 200 days, this being the term for which grants were paid in the Province until 1931. Where more than forty teachers are employed, the grant is 65 cents per day and where more than one hundred the grant is 45 cents per day.

It must be admitted, therefore, that Provincial assistance to elementary education has declined during the depression years. This decline, however, has probably not reacted as severely upon the rural schools, as would otherwise have been the case were it not for a system of special grants inaugurated in 1926, and known as the Special Assessment Grants. There have at all times been wide variations in the assessed values of property in the several school districts in the Province. Out of 3,395 districts for which we have data, 160 have a total assessment of less than $20,000; 35 have a total assessment of less than $10,000. On the other hand, 178 districts have a total assessment of over $200,000.

The districts with a total assessed value of less than $70,000, created a special problem with respect to rural education. The low assessment may have resulted from any one or a combination of three or four causes. Such a district, for example, might lie in the drought area, or it might lie on the fringes of the settled area and in itself consist of an area but slightly settled, or again the district may have been recently formed by settlers in the wooded area and the assessed values would be small by reason of the fact that but little clearing had been done and very few improvements created. In any event by reason of the low total assessment the district could not provide for full school time even with the assistance of the regular grants from the Government. Recognizing these conditions, the Provincial Government in 1926 inaugurated the system of Special Assessment Grants to be paid on the following basis: Where the total assessed value was between $70,000 and $75,000, an additional grant of 20 cents per day was paid. If the assessment was between $65,000 and $70,000, the grant was increased to 40 cents per day. If the assessment was between $60,000 and $65,000, the grant was increased to 60 cents per day. That is, for each drop of $5,000 in assessment the rate of this special grant was increased by 20 cents per day until a maximum of $2.80 per day was reached if the total assessment was below $10,000.

Under this provision the following sums have been paid by way of special grants to these weaker districts since 1930:

1930	$ 125,354
1931	216,650
1932	153,995
1933	188,686
1934	203,883
1935	193,463
1936	230,123
1937	289,485
TOTAL	$1,601,639

The above amounts of course are included in the amounts of the total annual grants as set out in Table III. The necessity for providing these special grants, of course, was a contributing factor in the reduction in the amount of the regular grant as set out in Table III.

While the reduction in the Provincial grants, as set out above, has undoubtedly had an effect in reducing the standard of service rendered during the depression years in the rural districts, the effect was very much accentuated by the inability or reluctance of the rural taxpayers to meet the ordinary costs of rural education, particularly during the years of very low prices. It is estimated that in the rural districts the Provincial grant meets about 25 per cent of the cost of education. The balance of the cost has to be met by school taxes levied by the School Districts either directly, as in the case of School Districts in the Improvement Districts, or through the Municipal Districts where the latter are collecting agents for the School Districts. Until recently, rural education in this Province as in other Provinces of Canada was organized on the basis of the small school unit with each rural district having its separate Board of Trustees who were responsible for the upkeep, furnishing and maintenance of the rural schools including the engagement of teachers and the payment of their salaries. The small size of the unit had the effect of making the Board of Trustees very susceptible to the demands of the ratepayers in the district. It is probably true that the extremely low prices prevailing, especially during 1931, 1932, and 1933, had a moral effect upon the people even beyond what the incomes from the farms may have warranted, in the attitude towards the payment of taxes. Undoubtedly the trustees met a widespread demand for the reduction of school costs to the absolute minimum. Unfortunately this had its effect upon the salaries which these boards were prepared to pay to teachers. While teachers' salaries in the Province did

not sink to the low levels reached in other Provinces, nevertheless they did reach low levels as indicated by Table IV. As shown by this table the lowest salary paid in 1935 was $350.00 and in many cases even the low salaries prevailing were not collected in full.

TABLE IV.
TEACHERS' SALARIES, ALBERTA SCHOOLS, FISCAL YEAR 1934-35(1)

Class of Certificate	Number of Teachers	Salaries Paid		
		Highest	Lowest	Average
Academic, High School and First (Male)	1,065	$3,950	$ 450	$1,270
Academic, High School and First (Female)	1,758	3,250	400	952
Second (Male)	766	3,350	400	869
Second (Female)	2,227	3,250	350	849
Third (Male)	11	840	475	608
Third (Female)	22	1,200	400	663
Vocational and Special (Male)	46	3,700	1,400	2,312
Vocational and Special (Female)	16	3,000	1,250	1,888

(1) Department of Education Annual Report, 1935, p. 109.

In Table V the average salary paid to Alberta teachers in the fiscal year 1934-35 is contrasted with the average salaries paid in a typical pre-depression year, namely the fiscal year 1924-25. This indicates that the rural school teachers had their salaries reduced by as much as 30 per cent. As these figures are based on averages, however, it is no doubt true that in individual cases the salaries were reduced to an even greater extent. Under the School Act of the Province a minimum salary is provided and a School District cannot enter into a contract with a teacher at a lower salary than the minimum provided without the approval of the Inspector and later without the approval of the Minister. This provision probably prevented salaries in this Province being reduced to even lower levels than they were. Arrears of salaries reached a total at December 31st, 1936, of $304,000, which in itself indicates the inability of the School Districts to collect the normal amount of school taxes. It must be remembered also that population in Alberta has steadily increased even during the depression period. From 1928 to 1934 the school population increased from 159,000 to 172,000. As the amount of the annual school grants decreased during that period, it is obvious that when spread over the larger number of schools the contribution provided a smaller amount of assistance than during the pre-depression years.

Speaking generally, Alberta may be said to have only recently emerged from what might be termed the pioneer stage of development. There is still a heavy debenture debt resting upon the School Districts which is estimated at about 10 million dollars. While in many of the better and older settled areas a very substantial type of school building may be found, still in many other districts the school building is not of a substantial or permanent type and replacements must be made. One Inspector of schools states that within the next five or six years 90 per cent of the school buildings in his district will have to be replaced. In 1934, 402 school districts were in default in debenture interest. About 25 districts are in charge of Official Trustees although it may be admitted this is due to causes other than the inability of the districts to meet the financial responsibility of carrying on the schools.

Even in the cities proper provision for housing accommodation to meet the increasing school population has not been possible. In Edmonton, for example, there are only two buildings which were originally erected to accommodate high school students. One has a normal capacity of 456 pupils but has been trying to accommodate 650. There are over 3,000 high school students in the city, most of whom are still being accommodated in elementary school buildings. Many pupils must shift to three different schools to finish their four year course. The Technical

TABLE V.

AVERAGE SALARY OF ALBERTA TEACHERS, 1935(1).

Type of School	No. of Teachers 1934-35	Salaries 1924-25	Salaries 1934-35	Decrease since 1924-25
Rural Schools	3,644	$1,030	$ 723	29.85%
Urban Schools	2,267	....	1,369	....
Town Schools	1,479	1,599	1,577	1.35%
Village Schools	345	1,253	981	21.70%
Separate Schools	201	1,128	1,001	11.22%
Consolidated and Rural High Schools	242	1,230	960	21.92%
All Schools	5,911	1,193	971	18.61%

(1) Department of Education Annual Report, 1935, p. 109.

School in this city is conducted in a structure originally built for a public market. What has been said of Edmonton may also be said of other communities. It is difficult to maintain a sound morale and esprit de corps under such conditions and the long term implications of such inadequate facilities are not pleasant to contemplate.

The fact that many of the school districts have only recently passed from the pioneer stage of development while many are still in that stage has its effect in the general equipment provided for instructional work. This is particularly illustrated in the very small provision that has so far been possible for school libraries. The Provincial Government has not been able to allocate any considerable amount for this purpose and the school districts have been unable to make much provision by themselves. A grant in library books averaging from ten to thirty dollars per year, depending on the grading received from the local inspector, is paid to new school districts for their first six years of operation. There are school districts in this province which have no libraries at all, while some have bought practically no books for as much as fifteen years. In 1934 it is estimated that the rural schools of Alberta spent only eight cents per pupil for library and reference books and much of this expenditure was confined to newly organized districts. The impossibility of giving adequate instruction under these conditions is obvious.

Some assistance to school districts is given by the Provincial Government in providing free school texts for the pupils. So far this assistance has been confined to providing readers. The amount contributed for this purpose has varied in different years as shown by the following figures:

1926	$44,891
1929-30	45,576
1934-35	10,647
1935-36	59,677
1936-37	17,630

A problem of particular difficulty is found in the inspection of rural schools on account of the large distances existing between schools in this Province as compared with the older Provinces. This limits the number of inspections which it is possible for an inspector to make in the course of a year. The mileage which an inspector must travel in covering his district has its effect in the cost of such inspection. The following figures indicate the amount spent for this purpose:

1926 (Estimated)	$118,090
1929-30	132,950
1934-35 (Estimated)	127,700
1935-36 (Estimated)	126,750
1936-37 (Estimated)	125,575

It must be frankly admitted that it has not been possible to provide an adequate degree of inspection.

Believing that education in the rural areas could not be adequately organized on the basis of the small local school districts, the Provincial Government has recently undertaken a re-organization on the basis of a larger unit. Legislation was passed in 1936 authorizing the Minister, upon being satisfied that it was in the interests of education to do so, to consolidate the small units into larger school divisions. So far 22 large school divisions have been organized as shown in the accompanying table. It will be noted that the smallest of these comprises 30 former districts and the largest embraces 115. Altogether about 1,500 districts are now consolidated into 22 larger units with an average of about 70 former districts to a unit. It is the belief of the Government that the organization of these larger units will go far in assisting more efficient inspection, the payment of better salaries to teachers and a greater general efficiency in the operation of schools. Even with the consolidation the Province will be unable to cope with the increasing demands of education on its present restricted sources of revenue.

TABLE VI.

ENLARGED SCHOOL DIVISIONS

No.	Name of Division	Number of School Districts in Division
1	Berry Creek	30
2	St. Mary's River	56
3	Foremost	115
4	Cypress	70
5	Tilley East	49
6	Taber	61
7	Lethbridge	65
8	Acadia	99
9	Sullivan Lake	91
10	Peace River	56
11	Lac Ste. Anne	69
12	Pembina	44
13	Clover Bar	77
14	Grande Prairie	85
15	Rocky Mountain	74
16	Neutral Hills	59
17	Holden	76
18	Lamont	53
19	Vegreville	65
20	Camrose	69
21	Two Hills	59
22	Killam	69
	TOTAL	1,491

Under the terms of the British North America Act, education is one of the subjects assigned exclusively to the legislative authority of the Province. Probably in no other field does the anomaly of the authority allocated to the Provinces on the one hand and the narrow basis of taxation assigned to the Provinces on the other become so apparent as with respect to education.

The cause is easily traceable by reference to history. It must be remembered that it was only in 1870 that the first legislation was passed in England establishing public elementary schools. After making every allowance for the greater social progress that had then taken place in the New World, it is hardly possible that the Fathers of Confederation could have envisioned such a development in this field of public service as would result in a Province expending annually for education more than the total subsidies received annually from the Dominion. Much less could they envision the demand that would develop for technical, agricultural and vocational instruction or that would develop in the realm of higher education.

It must be apparent that a nation cannot compete successfully today with other nations if the entire responsibility for educational training and scientific research is left to the care of a Province or State with limited financial resources.

The Dominion Government has already accepted a limited responsibility with respect to educational development in Canada. In the early years of the present century there was much discussion about the exodus of people from the farm to the city, about the need of encouraging a more diversified agriculture, and about the need of carrying scientific knowledge to the farm. In 1913 the Dominion Government provided for the distribution to the Provincial Governments over a ten-year period of $10,000,000 in aid of agricultural education. Each Province was to receive a flat sum of $20,000 per year and the balance was divided upon a population basis. The purposes for which the grants were to be spent were not exactly specified and the Provinces were not required to equal the Dominion allotment from Provincial funds.

This was the first Dominion grant-in-aid and the results under it were not entirely satisfactory. This was due to faulty statutory requirements and ineffective administration. Alberta spent over $1,000,000 on plant and equipment and began a system of vocational agricultural schools and thus qualified for the grant. It is generally conceded that Alberta spent its grant wisely. After the withdrawal of the grant, the Province found it necessary to close all the schools except two. The Province could not resist the pressure to accept the grants, and if such conditional subsidies are continued it should be under conditions which will not leave the Province with burdens assumed which it cannot continue to carry.

Dissatisfaction with liberal education and the comparative failure of the apprentice system, turned public attention to the

need for publicly supported technical education after 1900. In 1913 a Royal Commission reported in favor of Dominion grants for technical education on the ground that since technical education might give a stimulus to national development, the Federal Government had both an interest and a responsibility.

In 1919 a Dominion Act provided for $10,000,000 to be spent over ten years. A flat annual grant of $10,000 was to be given to each Province and the balance divided upon a population basis. The grants were contingent upon expenditure by a Province of an amount at least equal to what it received from the Federal Government. The Province qualified for this grant by spending nearly one and one-half million dollars on the Calgary technical school and has had to support the project since.

In 1931 a new measure for the promotion of vocational education was passed, providing $750,000 annually for a period of fifteen years. Under this Act the Province was not required to spend annually an equal amount as was allotted to it by the Dominion. In 1937, $1,000,000 was voted "to provide for development and training projects for unemployed young people."

Because of the supreme importance and the expensive character of technical and agricultural vocational education, it is proposed that special provision be made for such types of training. The 1931 vote of $750,000 for technical education does not make adequate provision. The Federal-Provincial youth training programme of 1937, discussed above, is essentially a relief measure although the funds are not strictly limited to those on relief. While general liberal education should not be neglected, as already stated, it is now universally recognized that we are living in a highly technological age and education should be redesigned to impart skill to each child according to his aptitude. Agriculture is not, as some seem to think, a matter of mere brawn. Crop rotation, weed control, seed selection and animal husbandry are all subjects to which the schools in rural areas must direct themselves. The Thatcher rust-resistant wheat was developed at the University of Minnesota, but it will be of more significance to the Prairie Provinces than to Minnesota. Canadian wheat has commanded a premium on world markets; but information at hand indicates that several other nations, by means of extensive experimentation, are encroaching on the Canadian differential. The long growing day, the cool nights and the Prairie Province soils all have contributed to this superiority. But if this advantage is to be retained more experimentation must take place and the results of the experiments must be made known to the farmers. The local agricultural vocational schools are in position, if properly financed, to extend this knowledge.

Vocational training in domestic science and service and mechanical trades is becoming of increasing importance. This type of training lifts the worker above the dead level of unskilled labor. It raises the productivity of the people of a community and enhances the standard of living. However, it is costly education because of the need of special equipment and teaching skills. The accompanying tabulation indicates the costly character of vocational teaching personnel:

Class of Teacher	Average Salary
Academic High School (Male)	$1,270
Academic High School (Female)	952
Vocational and Special (Male)	2,312
Vocational and Special (Female)	1,888

Imparting some special skill to students not only has the effect of raising the productivity of society but it has a wholesome psychological effect on the youth of the land. It imparts a feeling of confidence and courage to the citizens who will be voters tomorrow.

The University of Alberta was established in 1908, just three years after the Province was formed. Apart from an endowment of $650,000, the larger part of which was provided by the Rockefeller Foundation, in aid of medical education, the University is entirely supported by its tuition fees and annual grants from the Government of Alberta. In 1931-32 this grant amounted to $588,-388, while in 1936-37 this had declined to $399,650. Besides, the smaller sum must be spread over more than two hundred additional students.

The Province is giving what assistance it can, but this assistance is not adequate for the important work which might be carried on by this institution and any survey of the financial problem confronting the Government of Alberta does not offer much hope that any more generous contribution can be made by the Provincial Government in the near future.

OUR PROPOSALS

The foregoing analysis reveals the plight of education generally in the Province. If all children in Alberta are to receive reasonably uniform educational opportunities, it would seem that the Province will have to come to the aid of education to an increasing extent. But this the Province cannot do under present circumstances unless it is relieved of other obligations. It is proposed therefore that the Dominion Government embark upon an extended and continued programme of aid to education. It is suggested that this assistance might be in the nature of a

grant-in-aid for the general assistance of education in the Province, or if this is not considered desirable by the Federal Government, at least that Government should institute larger grants-in-aid for the support and assistance of technical and agricultural education and for the maintenance and support of universities.

If grants-in-aid are to serve the most useful purpose, they must be made on some basis other than population. Mere population grants may tend to transfer some funds from the richer to the poorer Provinces if the Dominion Government has a progressive tax structure; they are not very satisfactory, however, for the reason that large sums must be given to the richer Provinces before sufficient aid is given to the poorer ones.(1) Unless an improved index is devised, the best index is probably the assessment of Federal income tax. The following tabulation indicates that the amount of income assessed for the purposes of the Dominion Income War Tax varied greatly in the several Provinces.

TABLE VII.

AMOUNTS PER CAPITA OF INCOME ASSESSED FOR THE PURPOSE OF INCOME WAR TAX, 1932-36(2)

Saskatchewan	$ 20.33
Prince Edward Island	29.32
New Brunswick	37.89
Nova Scotia	42.64
Alberta	52.58
Manitoba	71.25
Quebec	90.82
British Columbia	111.17
Ontario	136.18
Canada	91.90

However, taxable capacity is not the only factor which should be considered in the making of grants. The needs of the services in question should be considered as well. Thus if a province has an unusually high proportion of population of school age it may need more help.

There are other objective techniques which may be adopted to divide Federal grants.(3) "For example, a careful study might place the lowest cost at which a service could be satisfactorily performed at $100 per person served. The grant might then be $100 per person served less .2 per cent (for illustration) of the assessment for Federal income tax in the Province. The kind of calculation intended is illustrated in Table VIII.

(1) In The Old Age Pensions Act the Dominion has thrown overboard the principle of grants in proportion to population, another method of aid in proportion to provincial expenditure being adopted instead. This method may or may not meet provincial need but it emphasizes that the old principle of grants in proportion to population is unworkable, in this instance at least.

(2) Based on 1931 census figures and five year average of income assessed as set forth in Table 38, Canada Year Book, 1937.

(3) See, M. A. Cameron, "Financing of Education in Ontario", University of Toronto, 1936.

"The subtraction of an equalization factor in this way diverts funds in the direction of the poorer provinces. . . .

"The term 'weighted population' is introduced in the English Local Government Act of 1929 to describe a means of apportioning grants to localities on the basis of population corrected for differences in local need for assistance. To apply this method to Canadian conditions would require that a certain sum be decided upon as the amount of Federal aid to be distributed. This amount (say $25,000,000) would be fixed for a period of years, at the end of which the whole arrangement would be subject to review. The amount fixed for division would be apportioned among the provinces in proportion to their weighted populations. This would be the actual population, increased according to certain measures of need. For example, if the Federal assessment for income tax varied from $50 to $200 per head, the actual population of a province might be increased by the ratio which $200 bears to the actual Federal assessment per capita, i.e., a Province whose assessment per capita was $100 would have its population multiplied by two. Again, provinces having large numbers of children or old people in their population would have their weighted population increased so that they would be entitled to a greater share of the general grant. Similar corrections could be made for any relevant factor, such as the percentage of unemployed, etc. The apportionment, once settled, would be undisturbed for the remainder of the grant period."

The advantage of such an index of need is obvious. Instead of each province going separately to Ottawa demanding "better terms," the division of Federal aid would be made among all the Provinces by experts on a non-political basis. The effect would be to establish uniform minimum standards among the Provinces and this would operate to the advantage of all the people in Canada.

Other parts of this volume have demonstrated the financial difficulties of the local school authorities in Alberta. The Provincial treasury, although making an educational grant of 24 per cent to the rural communities and seven per cent to the cities, finds this a serious burden and is not likely under the present circumstances to be in a position to increase the grants.

TABLE VIII.

	Population	Amount of Federal Income Tax Assessment	Assessment Per Capita	Number of Persons Receiving Service	Cost Recognized for Grant (Per Person)
Province A (a poor province) ..	400,000	$ 17,000,000	$ 42.50	5,000	$100
Province B (a wealthy province) ..	3,500,000	600,000,000	171.40	30,000	100

Calculation of Grant	Province A	Province B
Need	5,000×$100=$500,000	30,000×$100=$3,000,000
Subtraction of equalization factor	.2% of $17,000,000=$34,000	.2% of $600,000,000=$1,200,000
Grant	$466,000	$1,800,000
Grant per capita	$1.16	$0.51

CHAPTER XII.

Social Services

1. Public Health

Public health work has come to be recognized as one of the main responsibilities of a Government. In fact, before Alberta became a Province, certain public health activities were undertaken in the territory. It was not until about the time of the Great War, however, that Governments began to show a greater interest in the health of the people. For example, as a step towards social reform and reconstrution after the War, the Federal Government in 1919 offered to the Provincial Governments grants-in-aid for the combatting of venereal disease. The sum of $180,000 was to be divided among the Provinces on a population basis.(1)

The general plan was worked out at a conference of representatives of the Provinces and the Dominion. From the conference was formed the Dominion Council of Health, which aimed to co-ordinate the health activities of the Provinces and of the Dominion. As usual, an agreement between the Federal and Provincial officials had to be made for each Province, and this called for the establishment by the Province of free clinics for the treatment of venereal disease, hospital beds for indoor patients, treatment of jail inmates, and appointment of a specially trained medical director, to oversee and guide the work in each Province. There was, moreover, to be inspection by a Federal officer to see that the agreements were being carried out.

All the Provinces, except Prince Edward Island, prepared to earn the subsidy, and by 1922, practically the whole grant was being distributed. Over fifty clinics were in operation, and educational work was being carried on by lectures and distribution of literature.

The Federal grant, however, was not statutory, and its continuance depended upon the annual vote of parliament. In 1924 the amount was reduced to $150,000. Against this there was considerable protest, and when in 1925 the Government prepared to reduce the grant to $100,000, the reaction was so vigorous, that $25,000 was added in the supplementary budget. The Government declared, however, that the organization period for this work was over, and that the Provinces ought to carry on

(1) See, Maxwell, op. cit. p. 225.

alone and were able to do so. Two years later (for the year 1927-28) the subsidy was reduced to $100,000, and in 1932 it was eliminated. This is another instance of the Dominion encouraging the Province to embark on a new enterprise, and then withdrawing support, after the Province is committed to the expenditure.

It would seem that for this expenditure—a total of $1,722,300 over a period of thirteen years—excellent results were obtained. The grant was begun at a time when public interest in this, and related questions of public health, was high. The Provinces were ready to follow a lead. Undoubtedly, many of them would have developed agencies for combatting venereal disease without Federal aid; but some would have lagged. Besides, a co-ordinated plan was of considerable value.

At present, the chief functions of the Dominion health division are: To protect the country against the entrance of infectious disease; to exclude immigrants who might become a charge upon the country; to treat sick and injured mariners; to see that men employed on public construction work are provided with proper medical care; to set the standards and control the quality of food and drugs, except export meat and canned goods, which are under the Department of Agriculture; to control proprietary medicines and the importation and exportation of habit-forming drugs, such as morphine, cocaine, etc.; to care for lepers, and to co-operate with the Provinces with a view to preserving and improving the public health.

The Government of Alberta takes the stand that Federal grants which operate for a temporary or uncertain period are not satisfactory, as the Province assumes certain duties by reason of the grants, and finds it difficult to terminate a service after the Federal grant ceases. It is further contended that the Dominion Government should make permanent grants for the treatment of venereal diseases as, in view of the transient nature of a portion of the population, this is obviously a matter of national concern.

Dominion expenditures for all Canada under the Health Division have been amounting to less than $1,000,000 annually, or less than 10 cents per capita in recent years, as the accompanying table indicates.

DOMINION EXPENDITURES ON HEALTH(1)

1931	$1,342,000
1932	1,246,000
1933	924,000
1934	802,000
1935	809,000
1936	993,000

(1) Canada Year Book, 1937.

In 1906, a Provincial health officer was appointed in Alberta and made responsible for various health activities. In 1919, a Department of Public Health was created with a Minister of the Crown in charge. Directors with special qualifications for the work are in charge of each of the following divisions:

- Hospital Inspection;
- Communicable Diseases;
- Laboratory;
- Public Health Nursing;
- Municipal Hospitals;
- Social Hygiene (Venereal Disease Prevention and Control);
- Sanitary Engineering and Sanitation;
- Dental Hygiene;
- Mental Health;
- Public-Health Education;
- Provincial Institutions:
  - Central Alberta Sanatorium, Calgary, with accommodation for 210 patients;
  - Provincial Mental Hospital, Ponoka, with accommodation for 1,100 patients;
  - Provincial Mental Institute, Oliver, with accommodation for 350 patients;
  - Provincial Training School for Mental Defectives, Red Deer; with accommodation for 200 patients;
  - Provincial Auxiliary Hospital, Claresholm, with accommodation for 100 patients.
- Vital Statistics;
- General Administration.

The functions carried on under these several divisions need not be described in detail. However, several special problems which have arisen in Alberta must be described. The scattered character of the settlement in the Province has been emphasized in other Sections. In regard to public health, problems have arisen which are traceable in part to the manner of settlement.

The lack of hospital facilities, especially in rural areas, towns and villages, has been a serious problem. Much evidence is available that the lack of medical and hospital service is a real cause of unrest in the rural areas, and leads to the abandonment of farm land in order that these facilities may be obtained.

As a partial solution to this problem, Alberta in 1917 passed The Municipal Hospitals Act. Up to 1937, twenty-two hospital districts had been created, providing beds for 800 patients. The typical municipal hospital serves an area of 900 square miles containing a population of 5,100. In 1933, tax revenues at about 3 cents per acre furnished $287,000 (47 per cent) out of total receipts of $616,000. Patients paying $1.00 a day paid $232,000 (38 per cent), and the Province provided a grant of $73,000 (12 per cent); the balance of $24,000 (4 per cent) came from other sources. Half of the rural population is served by these hospitals.

A hospital district comprising several municipalities is designated by the Minister of Health after application has been duly made by the ratepayers. A vote is held on the proposal, two-thirds majority being required for its approval. Funds are raised by an issue of debentures, which are retired over a term of years. All assessable land in a hospital district contributes towards its support, the average tax per acre not exceeding 3 cents, or less than $5.00 per quarter section. All hospital ratepayers or supporters (for example, farm hands, who usually pay $6.00 a year) and their families are entitled to hospitalization at about $1.00 a day. The rate for village and town payers is usually about the same as for "supporters."

These institutions, constituting a form of health insurance, are thus the property of the people in the hospital district. They are maintained by the elected representatives of the ratepayers whom they serve. In 1927 every municipal hospital had a surplus, and with one or two exceptions all have been a financial success.

The travelling health clinic, another institution indigenous to Alberta, was organized for the purpose of providing dental and surgical service among school children in the country districts. Starting in 1921 as a travelling dental clinic, in 1924 it added a physician and nurse. The demand for its services has always exceeded its ability to supply them. In 1927, then manned by a surgeon and assistant, dentist and nurses, it was able to reach only 40 of the 122 centres formed.

The travelling clinic is perhaps the most outstanding work of a special nature undertaken by the Department of Health in recent years. In isolated districts, far from railway, hospital and medical service, the work of the district nurse often presents problems, the solution of which taxes her ingenuity. In such a contingency, the Travelling Clinic was born. Often in the course of her work the nurse discovered—as she still discovers—children in urgent need of medical, surgical or dental attention, but owing to the distance from a hospital and physician and the expense involved, it was rarely possible to obtain this attention. Seeking relief from such conditions, a plan of action was evolved. A number of such cases were assembled at central points and a doctor invited to make a visit and perform the operation found necessary at a special rate. In the fall of 1926 the experiment of placing the Clinic on a partly self-supporting basis was tried, and on the experience gained in these experiments was based the policy of the Clinic as it has operated since that time. During the winter of 1926 and 1927, requests for the services of the

clinic became so numerous, that thorough organization became necessary, and an adequate plan of operation was devised for carrying on the work. Secretaries of school boards, women's organizations and other interested bodies were advised of the conditions under which the Clinic would visit their districts. (The Clinic only visits places to which it is invited.) Following the request for the Clinic, the chief conditions are that at least twelve school districts shall combine for clinic purposes, and that a local committee be formed to arrange the details in connection with the Clinic, such as the provision of a suitable building, water supply, heat, beds, bedding, etc., and in certain cases to act in an advisory capacity. On the completion of the local organization, a public health nurse makes a preliminary inspection of all school children in the district and recommends to the Clinic all whom she considers should be examined by the physicians and dentists attached to the staff of the Clinic. The committee is later advised as to the date on which the Clinic will arrive.

The personnel of the Clinic as operated in 1936 was as follows: A surgeon, in charge; an examining physician and anaesthetist; two dentists and four nurses. On the first day of the Clinic both physicians and one dentist are engaged in the examination of patients, and parents are advised to have those requiring operations return the following day. The other dentist carries on dental treatments and the nurses take charge of the clerical work and the organization required. On the second day the one dentist carries on with dental treatment and the rest of the staff is engaged in the operating room and the improvised hospital ward. The second dentist does the extractions for which general anaesthesia are required. The operating staff consists of a surgeon, anaesthetist and surgical nurse. One nurse is in charge of the sterilization of instruments and supplies and the other two nurses have charge of the patients before and following operation. Patients operated on remain in the improvised hospital ward until the following day. On the third day the Clinic moves on to the next centre, the itinerary being arranged so that this is within easy access. The parents are present during the examination of the children, and this offers an exceptional opportunity to impart health instruction, of which full advantage is taken.

The outstanding features of the Clinic are: Physical and dental examinations, minor surgery, dentistry, and health education by precept and example during the two-day period of intimate contact with both patients and parents. A charge of $15.00 is made for tonsil and adenoid operations and a pro-

portionate charge for other minor operations. The charge for extraction of teeth is from 50 cents up to $1.00 and for fillings from $1.00 to $2.00. No charge is made where financial circumstances are such that parents are unable to pay for this service. Physicians practising in proximity to districts visited are notified in advance of the visit of the Clinic and invited to co-operate in its work, and children examined at the Clinic are referred to the family physician for the after-treatment which may be indicated. Following the completion of the itinerary a circular letter and a progress report form is sent to the parents of children examined. The parents are asked to complete these forms and return them to the Department. In this way it is possible to appraise the service from the physical as well as the educational point of view.

Several districts have made satisfactory arrangements with local physicians for a service similar to that given by the Travelling Clinic. At the request of local physicians in several districts, the Department has sent public health nurses to make the preliminary school survey and the doctors have arranged to do the operative work found necessary at practically the same rate as the Clinic.

Following is a brief summary of the work of the Travelling Clinic from its inception up to the end of 1936:

SERVICE	No.
Clinics Held	292
Children inspected by Public Health nurses preceding clinic (to 1935 only)	360,000
School Districts Covered	2,294
Physical Examinations by Physicians	28,672
Operations	7,946
Patients Treated by Dentists	9,301
Dental Treatments	28,228

Not a single death has been recorded in connection with these operations.

Owing to the necessity of reducing health expenditures, no provision was made for the services of the Travelling Clinic in the estimates of the Department for the years 1932 and 1933. In 1934, the Clinic was sent out on a much smaller scale than in former years, and in 1935 it went out on a somewhat improved basis, which was maintained in 1936 and 1937. Here we have another attempt, on the part of the citizens of Alberta, to overcome the depressive isolation of the people in many rural districts. No service rendered by the Provincial Government in Alberta has given greater direct benefit to the people than the Travelling Health Clinic, and it is lamentable indeed that Provincial finances are so restricted that the service cannot be

carried on to the extent demanded by the conditions in the sparsely settled areas.

Another problem of major importance, not peculiar to Alberta, is that of the mentally diseased and mentally defective patients, which have become a charge on the Province. The expenditures in behalf of these classes have increased more rapidly than the general population.

TABLE I.

MENTAL DISEASE PATIENTS

Year	Net Expenditure	Number of Patients
1923	$182,427	897
1924	184,450	1,002
1925	190,969	1,030
1926	175,075	1,090
1928(1)	260,542	1,128
1929	218,193	1,208
1930	309,874	1,327
1931	393,511	1,411
1932	369,092	1,465
1933	341,117	1,630
1934	337,126	1,743
1935	365,556	1,850
1936	382,622	2,004
1937	409,764	2,164

Table I indicates that the net expenditure rose from $183,000 in 1923, to $410,000 in 1937, or 124 per cent, while the population of the Province increased only about 40 per cent. The number of patients increased from about 900 to nearly 2,200, an increase of about 140 per cent. This group now imposes a burden of more than 50 cents annually on every man, woman and child in the Province. Actually, the cost is greater because much of the Public Debt incurred by the Province is for mental institutions.

Mental defectives have shown a similar trend both in number and in expense. In 1923, the Province spent about $25,000 net on 107 patients, and these figures have increased to $33,000 and 209 respectively as Table II shows. Such information as is available indicates that expenditures, due to these two classes of public charges, are destined to continue to rise.

The housing conditions in several of these institutions are far from satisfactory. The Provincial Mental Hospital at Ponoka has a normal capacity of 1,100 patients, but is housing over 50 per cent in excess of this number. Rooms are overcrowded and this tends to encourage friction and disorder. Bed space is insufficient so that patients must actually lie on mattresses placed on the floor. The conditions in other institutions are not much better. Mental cases urgently in need of institutionalization are

(1) Fiscal year changed to March 31st. This fiscal year contains 15 months.

TABLE II.

MENTAL DEFECTIVE PATIENTS

Year	Net Expenditure	Number of Patients
1923	$22,733	107
1924	20,962	130
1925	19,311	133
1926	19,782	137
1928(1)	31,226	147
1929	25,968	159
1930	32,112	163
1931	40,706	180
1932	38,031	190
1933	33,748	190
1934	29,179	207
1935	28,682	205
1936	31,231	214
1937	33,243	209

increasing at the rate of 150 per year, and the funds to take care of this growth are not fully available. In December, 1937, there were 174 persons on the waiting list of the Provincial Training School for mental defectives. At least 50 per cent of these are classed by the Department of Public Health as urgent cases. An unduly large proportion of patients requiring mental institutional care are foreign born. Only 39.5 per cent of the mental insitutional population were born in Canada, although 63.5 per cent of the total Canadian population was born within the Dominion. About 14 per cent of the Canadian population was born in Europe (outside of Great Britain), but 25 per cent of the population in mental institutions was born in Europe, as the accompanying tabulation indicates:

Born in	Racial Origin Canadian Population	Racial Origin Population Mental Institutes
Canada	63.5%	39.5%
Great Britain	12.8%	19.5%
United States	9.5%	16.0%
Europe	14.2%	25.0%

This unduly large proportion of non-Canadian patients casts no reflections on these people from other countries. The figures are to be accounted for in two ways:

(1) Immigrants coming to Canada find a new environment to which they must adapt themselves. They have torn themselves loose from their former friends and moorings; all this causes strain.

(2) The failure of the Dominion Government to adopt an immigration policy which was sufficiently selective.

The problem of tuberculosis has received special attention in Alberta. The Provincial Sanatorium provides accommodation for only 210 patients. Special agreements have been completed

(1) Fiscal year changed to March 31st. This fiscal year contains 15 months.

with selected hospitals providing for the care and treatment of all active pulmonary tuberculosis patients. Under these agreements 165 additional beds have been provided. Formerly, part of the cost of maintenance of patients in the sanatorium was charged to the municipalities of origin, but now the entire service, in connection with tuberculosis prevention and control, is financed by a special real estate tax levied by the Province. Although the anti-tuberculosis work of the Province is now well organized, comparing favourably with that of any other Province, the ratio of beds to deaths and the ratio of beds per 1,000 population is still much below that of other provinces.

The Province maintains a battery of physicians and nurses in the unorganized districts to provide medical care to indigent residents and to act as health officers. In addition, district nurses are maintained in frontier communities where no medical or hospital facilities of any kind are to be found. Some of these nurses are stationed 60 miles or more from the nearest doctor, and they often have to act as doctor, dispenser, bedside nurse or perform any other duty that the occasion or emergency may require.

The scope of the work carried on by the Department of Health is indicated by Table III. This table shows that new duties have been assigned to the Department from time to time, calling for ever increasing expenditures.

A 1930 statute makes it possible for municipalities to develop "municipal doctor" systems under which the municipality engages a full time physician, the expenses incurred being met out of general tax revenues. In 1935 Alberta passed a law providing what is probably the first scheme of socialized medicine on so broad a scale on the American continent. The plan is optional with the local areas. Owing to the adverse economic conditions it has been impossible, so far, to launch the plan.

The foregoing outline of health activities in Alberta indicates (1) an increasing concern regarding public health; (2) growing demand on the part of the people for a collective attack on the health problem; (3) no abatement in the increase in expenditure for the future; and (4) part of the expense is traceable to the scattered character of the settlement.

In the United States and Europe an increasing concern regarding public health has been evidenced by the central governments. The Social Security Board of the United States Government(1) has recently stated:

(1) Social Security in America, Washington, D.C., 1937, p. 335.

TABLE III

GROWTH OF PUBLIC HEALTH WORK
(Net Expenditures)

Item	1923	1925	1928(1)	1929	1931	1933	1935	1937
Communicable Diseases and Sanitation	$ 43,797	$ 34,995	$ 51,848	$ 45,432	$ 45,272	$ 38,780	$ 38,483	$ 45,421
Administration, etc.	8,164	12,031	23,147	20,351	21,264	18,027	17,927	10,002
Hospital Inspection and Grants	267,874	298,609	491,770	406,404	421,519	407,064	416,137	448,250
Public Health Nursing	37,253	34,814	47,854	35,768	51,904	35,959	36,420	40,674
Municipal Hospitals	9,833	6,509	6,749	4,898	6,557	5,689	4,761	5,009
Social Hygiene	11,283	15,564	8,059	10,453	15,328	15,377	17,755	16,562
Central Alberta Sanitorium	31,238	105,881	56,549	36,332	78,092	51,248	43,939	214,572
Vital Statistics	(1,113)	(5,853)	(10,577)	(14,754)	(12,294	(8,240)	(18,035)	(21,303)
Grants to Homes	2,500	3,000	5,000	6,500	3,500	3,500	4,800	4,000
Travelling Clinic	....	....	....	18,333	26,587	....	4,085	7,600
University Hospital Grant	....	....	20,000	20,000	20,000	20,000	20,000	20,000
Special Hospital	....	....	3,434	53,013	....	....	....	....
Mental Hygiene	....	....	....	....	11,856	36,396	15,134	8,585
Insulin	....	....	....	....	....	....	9,579	9,365
Laboratory	....	....	....	....	....	....	....	4,750

(1) 15 months. Figures enclosed in parentheses ( ) indicates a credit balance.

> "The policy of leaving to localities and states the entire responsibility for providing even nominal public-health facilities and services has failed in large measure. The uneven development of health service in the United States has resulted largely from expecting local governments to take the initiative in the organization of health activities. An adequate program with the necessary local and State support for public-health services calls for broader planning and more uniform and intensive stimulation of communities and governmental officials to recognize and meet their responsibilities for public health. The Federal Government has a definite responsibility for the protection of all the Nation's population against disease.
>
> "The responsibility of the Federal Government for national health is already accepted by the conduct of health activities through several federal agencies. Furthermore, it is well recognized that the constructive development of public-health work cannot proceed in an effective manner throughout the entire country without assistance from the Federal Government. As has been shown, local and State governments have a great responsibility for the provision of more adequate health service. Public health, a primary government function, has for years received a relatively small share of local, State, and Federal appropriations. Recently, even these modest appropriations and this limited service have been reduced in drastic proportions in many localities. The experience of cities in 1934 shows that health budgets have been reduced on the average about 20 per cent from the experience of 1931, reductions varying from one or two per cent to as high as 50 per cent. Where this reduction has amounted to 30 per cent or more, practically complete breakdown of the public-health protective facilities has resulted. National support of local health activities is indicated as a necessary development to insure that public health measures may go forward hand in hand with constructive economic measures in meeting the present critical national situation. Though public health, unlike certain of the social problems under consideration at the moment, is not solely an emergency demand but a continuing responsibility, the early development of a reasonably adequate public health program reaching both the centers of population and the far corners of rural areas is urgently needed if the people of the Nation are to receive the care which they deserve and which scientific health service will give them."

The public health responsibilities of the Federal Government of the United States already recognized and to a degree provided for are:

1. The study of international health conditions and the protection of the country from international hazards to health;

2. The study of national health conditions and control of inter-state transmission of disease by regulation of the movement of persons and goods;

3. The use of all educational means to promote public interest in disease prevention and control, in safeguarding the lives and health of mothers and children, and in the health of the worker, and in the attainment of more complete physical and mental health;

4. The promotion of the study of hygiene and public health as a recognized part of education;

5. The stimulation of States and local governments to organize health activities as discussed to insure more effective service to all people;

6. The provision of personnel to State and local departments for consultation, education, demonstration, and other technical services (the training of workers for all aspects of public health service is necessarily a part of the responsibility);

7. The development and promotion of standards of performance of technical services in the several fields, including general administration;

8. The conduct and co-ordination of research in any or all aspects of public health, particularly those problems beyond the capacity of local and state organizations relating to disease prevention, control of the incidence of morbidity and mortality at all ages, the influences—physical, social, economic, and mental—affecting or contributing to a more healthy people;

9. The provision of direct grants to States to encourage the organization of State and local health services for all people in accordance with current knowledge and to equalize the tax burden of the public health programme.

Recognizing the effect of sickness as a cause of insecurity, the prevention of disease as the most humane and least expensive method of dealing with this cause of insecurity, and the need for extension of Federal, State and local public health service, Congress authorized an appropriation for public health purposes in The Social Security Act. For the fiscal year ending June 30, 1936, and annually thereafter, the sum of $8,000,000 was authorized for allotment to assist States, Counties, health districts, and other political subdivision of the States in establishing and maintaining adequate public health services, including the training of personnel for State and local health work.

The Federal funds granted to States, under the provisions of The Social Security Act of 1935, are to be expended solely for establishing and maintaining adequate public health services and for the training of personnel for State and local health work.

The Surgeon General proposes to use the funds for Federal grants to the States for the following purposes:

1. To strengthen service divisions of State health departments;

2. To assist in providing adequate facilities in State health departments especially for the promotion and supervision of full time city, county and district health organizations;

3. To give, through the State health departments, direct aid toward the development and maintenance of adequate city, county and district health organizations;

4. To assist in developing trained personnel for positions to be established in the extension of city, county and district health organizations;

5. To provide, through the State health departments, aid in the purchase of biological products and other drugs needed for individual immunization and other preventive activities among the poor.

In addition to the amount authorized for aid to the States, The Social Security Act authorizes an appropriation for the extension of public health investigations by the Public Health Service. An annual appropriation of two million dollars was established for each fiscal year, beginning with 1935-36, to be expended by the Public Health Service for investigation of disease and problems of sanitation and for the pay, allowances, and travelling expenses of commissioned officers and personnel of the Public Health Service, engaged in such investigations, or detailed to co-operate with the health authorities of any State.

Thus it is obvious that, in the United States, the Federal Government is assuming an increasing responsibility for the health of the people. Considerable sentiment in favour of some form of state controlled group medicine prevails, and it appears that within a few years a plan of socialized medicine with its emphasis on prevention will be adopted.

The Department of Public Health expends a considerable amount of money in the form of grants to assist approved hospitals in the Province to operate. Until 1936, the grant was paid at the rate of 50 cents per patient day, but, owing to increasing hospitalization, it was not possible to continue paying this amount. In 1936, the grant to hospitals was decreased by 10 per cent, and the sum of 45 cents per day is, at present, being paid. Despite the reduction, the 1937 payment for hospital grants exceeded the 1935 grant by approximately $32,000. As shown in Table III attached, hospital grants have increased from approximately $267,000 in 1923, to $448,000 in 1937.

It should be pointed out that the grant-in-aid of hospitals is of extreme importance, owing to the fact that if the grants were not made many of the hospitals would have to close their doors. This is particularly true of hospitals in the drought area, and it should also be pointed out that unless conditions in the drought area materially improve, during the next year, it

will be necessary for the Department to take over the full expenditure of these hospitals, or else such hospitals will cease to give the service to the districts in which they are situated.

From this analysis it would seem that the Government of Canada should assume a greater responsibility in Public Health, and it is proposed that the Dominion should make an annual contribution to the Health Department of the Province of Alberta, of which a definite percentage should be set aside for preventive health services such as the establishment of Full Time Preventive Health Units; venereal disease prevention and control; the extension of mental hygiene clinic services; maternal and child hygiene and health education; the extension of hospital services; and should also assist financially in relieving the congestion in mental institutions.

From the foregoing discussion on health the following has been shown: That the increase in patients in mental institutions is due, to a large extent, not only to the growth of the population of Alberta, but to a lax Dominion Immigration policy. This fact, alone, constitutes a good and sufficient reason why the Government of Canada should grant financial assistance for the construction and maintenance of institutions for the mentally afflicted.

That a considerable portion of the expenditure of the Health Department is due to the combatting of venereal disease, which work was originally instituted by the Dominion Government in 1920, but this assistance was completely withdrawn in 1932.

That the cost of combatting tuberculosis has steadily grown from approximately $31,000 in 1923, to $214,000 in 1937. It is to be borne in mind that the control of this disease is not only of paramount interest to the residents of Alberta, but is also of paramount interest to the citizens of all of Canada.

That considerable expenditure is incurred in the form of hospital grants-in-aid of approved hospitals throughout the Province, many of which are situated in the drought area.

The Dominion assistance, outlined above, would serve the double purpose of relieving the Alberta budget, and of improving the health of the people of the Province, who, it should be remembered, are not only residents of ~~Alberta~~ but are citizens of Canada, and would undoubtedly raise their productivity and economic status.

2. OLD AGE PENSIONS

Old Age Pension legislation in Canada originated with the Dominion Government. For nearly a quarter of a century both

major parties in the Dominion Parliament had shown an interest in this type of Social Service. Finally, in 1927, the Dominion passed the Act which, with certain amendments, is still in force. This measure prescribes certain conditions upon which the Provincial Governments, by enacting similar legislation, would become entitled to aid in providing this service in their respective Provinces. The primary responsibility for the heavy expenditures which have since resulted rests therefore with the Dominion.

Under the Dominion Act a British subject seventy years of age or over, who has resided in Canada for twenty years and in the Province for five years immediately preceding the date of his application, is entitled to a maximum pension of $240.00 a year, providing his total annual income is not then in excess of $365. The Governor General in Council had to approve the scheme of administration proposed by the Province, and it could then enter into an agreement undertaking to pay to the Provincial Government one-half of its expenditure for pensions.

British Columbia took advantage at once of this Act; and Manitoba and Saskatchewan did so in 1928; and Alberta and Ontario the following year. The Maritime Provinces and Quebec held back, the former particularly because of their difficult fiscal position and because of the high proportion of aged people to their total population.

From the beginning the Provinces found the financial burden a heavy one. For this reason and to encourage all Provinces to take part in providing this service, in 1931 legislation was passed by the Dominion increasing the grant made by the Federal Government from 50 per cent to 75 per cent of the cost.(1) Even after this increased federal contribution, the Maritime Governments hesitated but at last, in 1933, Prince Edward Island, in 1934 Nova Scotia and in 1936 New Brunswick, enacted Old Age Pensions Acts. Under the original Act the Province divided its financial responsibility with the various municipal units. After the Dominion assumed 75 per cent of the cost in 1931, the Provinces assumed 15 per cent and left the remaining 10 per cent with the municipal units.

The federal Old Age Pensions Act is, as has been indicated, a measure providing grants-in-aid. The Provincial Governments secure this aid by enacting legislation which conforms to conditions laid down in the Dominion Act and by agreeing to observe regulations issued by the Department of Finance at Ottawa. Administration of the Act is almost entirely in the

(1) Dom. Stat., 1931, c. 42.

hands of the Provinces, although the Dominion requires much detailed information from the Provincial authorities. In Alberta administration was for administrative purposes placed under the direction of the Workmen's Compensation Board. Applications have been carefully examined and safeguards set up against overpayment.

In 1924 a committee of the House of Commons estimated that approximately 40 per cent of the population over seventy would be eligible. In four of the provinces the percentage exceeds 50, as Table IV indicates, and this figure has been mounting steadily. This is to be explained partly by the severity of the depression since 1930.

TABLE IV

OLD AGE PENSIONS.(1)

Province	Total Number of Pensioners	Average Monthly Pension	Percentage of Pensioners to Population 70 Years of Age
Alberta	9,100	$18.13	50.55
British Columbia	10,824	19.29	40.09
Manitoba	11,559	18.64	52.54
New Brunswick	9,803	13.39	54.46
Nova Scotia	13,456	14.49	49.84
Ontario	55,950	18.19	34.54
Prince Edward Island	1,768	10.58	30.48
Quebec	22,620	18.68	23.81
Saskatchewan	11,436	16.51	51.98
Northwest Territories	8	19.10	8.00

(1) Canada Year Book, 1937.

The present situation is not entirely satisfactory. To March, 1937, the Dominion has spent about $95,000,000 as its share of the burden, but it contributed $21,000,000 in 1937, and the burden will probably increase. Both the number of pensioners and the average pension has been steadily rising in all provinces. Many of the municipalities in Alberta feel that they cannot continue to carry their share of 10 per cent. The plight of the provincial treasury makes impossible the assumption of further burdens under present fiscal disabilities. The Alberta annual share at present is about $500,000, and this expenditure is destined to increase.

The number of pensioners in Alberta as at December 31st, 1937, was 9,752, a net increase of 757 in twelve months. As Alberta is a comparatively young province, the number of people reaching the required age will increase from year to year, so that the province is faced with an ever mounting expenditure under this legislation, an outlay which it cannot continue

to meet. Applications for old age pensions have averaged approximately 1,800 annually over the past few years.

It is contended that so long as unnecessary indigence in old age continues to result from the present system the service of old age pensions should be wholly administered and financed by the Dominion Government. If it is a duty of the State to make provision for the aged, then that provision should be uniform throughout Canada, and the aged in any particular part of Canada should not be subject to discrimination because of the financial disability of a province. There is a widespread demand, throughout Canada, that the age limit should be reduced to 65 years. While sympathetic to this view, under existing conditions this province simply could not meet the burden if this age limit were adopted and the present division of cost maintained. If the Dominion Government takes over the responsibility, greater uniformity of payment would result and it could provide for whatever age limit public opinion demanded, regardless of the financial position of any province. Certain prominent statesmen have already declared themselves in favour of the Government of Canada assuming the entire cost. It is understood that, at a recent conference in Ottawa, all the provinces agreed that if the Dominion Government would take over the entire burden, the provinces would surrender their administrative powers.

In 1937, the Dominion made provision for pensions for the blind. Immediately Alberta amended The Old Age Pensions Act providing for such pensions to be paid in this province. The cost of blind benefits, for the year 1938, will approximate $55,000.00, bringing the total expenditure by the province to over $550,000.00 per year.

3. MOTHERS' ALLOWANCES

Most of the provinces provide for the payment of allowances to mothers who are widowed and without adequate means of support. Manitoba was the first to make such provision in 1916, and the example has been followed by the other western provinces and by Ontario and Nova Scotia. The New Brunswick Act has not been proclaimed.

In Nova Scotia and Saskatchewan, the whole cost is borne by the province, as will be the case in New Brunswick. In the three other western provinces and Ontario, the cost is divided between the province and the municipalities. Fiscal difficulties, however, have prevented the provinces collecting the full share of the municipalities' obligation. Until 1936, the munipalities in Alberta were responsible for 50 per cent of the cost.

In July of that year, the requirement was reduced to 25 per cent. In spite of this reduction, the reimbursements from the municipalities do not equal the statutory obligations.

Some provinces have created statutory maximum allowances, and others leave the amount to be determined by the administrative authority. Table V indicates the number receiving aid in the province and the average amounts paid for a typical month in 1937. The burden has been steadily increasing in nearly all the provinces. From 1934 to 1936, the burden in Alberta increased from $462,000 to $575,000, and in ten years it has almost doubled, as Table VI indicates.

TABLE V

MOTHERS' ALLOWANCES, ALBERTA, JUNE, 1937.(1)

Number of Dependent Children	Number of Cases	Average Paid
Mother and one child	850	$16.55
" " two children	537	26.06
" " three children	331	30.23
" " four children	181	33.02
" " five children	95	36.85
" " six children	58	36.87
" " over six children	24	38.17
Total	2,076	$24.37

(1) Data secured from Department of Child Welfare.

TABLE VI

MOTHERS' ALLOWANCES IN ALBERTA.(1)

Year	Cost to Province	Cost to Municipalities	Total	No. of Mothers Assisted	No. of Dependents	No. of Dependents per Mother
1919	$ 19,714	$ 19,714	$ 39,428	245	766	3.13
1920	80,642	76,787	157,429	477	1502	3.15
1921	103,572	98,302	201,874	562	1636	2.91
1922	126,122	120,629	246,751	721	1864	2.59
1923	122,651	120,035	242,686	758	1887	2.49
1924	129,242	128,169	257,411	742	2136	2.88
1925	142,004	141,582	283,586	828	2271	2.74
1926	157,272	157,013	314,285	907	2290	2.52
1927	174,500	174,440	348,940	968	2445	2.53
1928	182,382	182,222	364,604	1029	2517	2.45
1929	187,189	187,189	374,378	1094	2880	2.63
1930	234,828	231,708	466,536	1270	3409	2.68
1931	242,314	237,293	479,607	1499	3747	2.50
1932	222,606	216,590	439,196	1675	3882	2.32
1933	223,262	216,721	439,983	1724	4060	2.35
1934	233,904	228,489	462,393	1812	4274	2.36
1935	257,327	250,175	507,502	2088(2)	4764(2)	2.28
1936	410,873	164,636	575,509	2319(2)	5172(2)	2.23
Total	$3,250,404	$2,951,694	$6,202,098			

(1) Data secured from Department of Child Welfare.
(2) Approximate numbers.

TABLE VII

MOTHERS' ALLOWANCES IN CANADA, 1935.(1)

Province	Number Assisted		Benefits Paid	Benefits per Family	Benefits per Child
	Families	Children			
Alberta	1,573	3,794	$ 462,252	$299.59	$121.84
British Columbia	1,410	2,922	589,621	418.17	201.79
Manitoba	1,110	3,302	440,768	397.09	133.49
Nova Scotia	1,239	3,720	413,997	334.14	111.29
Ontario	7,875	22,417	3,317,000 (2)	421.21	147.97
Saskatchewan	2,826	7,368	440,580	155.90	591.80

Table VII indicates the amount of the benefits paid in 1935 by the several provinces. The provinces have been forced to assume an ever larger share of the burden of dependency due to widowhood. When the local municipalities shouldered the cost, great inequalities and variations of treatment occurred. The widows, with their children, have shown a marked tendency to migrate to the urban centres where the educational, recreational and other services were of a higher quality, and where the services were more numerous. Thus the towns, villages and cities have had to bear the bulk of the cost of widowhood. Consequently, in some communities, the tax payers had to bear only a light burden, while elsewhere a feeling of hostility developed against widows with large families who moved into the community.

This was the tendency which forced the province to assume an ever increasing share of the cost of widowhood. An analysis of the eligibility requirements of the Provincial Statutes, indicates that the underlying purpose of the laws was to maintain the family unit intact, and preserve the mother to fulfil her normal function. In short, the purpose of the laws is to encourage the maintenance of a wholesome environment for the children and prevent any neglect of schooling.

The Government of Alberta submits that the Government of Canada should pay at least 50 per cent of the cost of Mothers' Allowances, the administration to remain with the province. This would seem to be a fair arrangement, until such time as the economic problems of Canada are settled on a permanent basis.

4. UNEMPLOYMENT AND AGRICULTURAL RELIEF

Relief, in its different forms, has been so general throughout Canada, during the past eight years, and has engaged the

(1) Canada Year Book, 1937.
(2) Approximate figure.

attention of all governmental bodies to such an extent, that extensive comment is not required by any one province. It has called for the expenditure of such huge sums of money, however, that it does constitute the most serious problem of finance confronting Dominion, provincial and municipal governing bodies. When it is remembered that the expenditure in this Province, for the fiscal year ending March 31st, 1937, for unemployment relief alone was well over seven million dollars, or 30 per cent of the entire expenditure on income account, it will be realized that it is a problem of first magnitude.

The Province has had to assume expenditures for agricultural relief, to a greater or less extent, since the early years of its history. As stated in a previous chapter, the opening up of the south-eastern portion of the Province for homestead entry, and the subsequent efforts to develop the area for wheat farming purposes, have had tragic consequences. Successive years

TABLE VIII

DEPARTMENT OF AGRICULTURE.

DROUGHT AREA RELIEF

Analysis of Agricultural Relief Expenditure, Exclusive of Direct Relief and Relief Work Projects. Period 1917 to March 31st, 1937.

	Total Expenditure	Net Provincial Expenditure	Reimbursements from Dominion Government	Reimbursements from Municipalities
Administration	$ 471,390.43	$ 457,459.40	$ 13,931.03	....
Freight on Feed and Seed	760,580.33	411,052.64	349,527.69	....
Movement of Settlers	352,393.94	190,865.12	161,528.82	....
Purchase of Drought Area Cattle	40,247.49	40,247.49	....	....
Purchase of Potatoes and Vegetables	594.63	594.63	....	....
Wintering Horses	3,967.50	3,967.50	....	....
Freight on Drought Area Cattle	40,636.13	24,962.30	15,673.83	....
Freight on Feed Prov. Area, 1936-37	48,300.43	48,300.43	....	....
Feed and Fodder Losses Prov. Area, 1936-37	17,810.38	17,810.38	....	....
Sub-Total	$1,745,921.26	$1,215,259.89	$ 530,661.37	....
SPECIAL DOMINION AREA, 1936-37—				
Feed and Fodder Relief	$1,032,456.39	$ 18,839.05	$1,013,617.34	....
Freight on Cattle, Processing Cattle	103,154.97	42,986.55	60,168.42	....
Sub-Total	$1,135,611.36	$ 61,825.60	$1,073,785.76	....
Total Drought Area	$2,881,532.62	$1,277,085.49	$1,604,447.13	....
Relief Settlement Plan	361,743.60	121,421.16	120,407.36	$119,915.08
Grand Total	$3,243,276.22	$1,398,506.65	$1,724,854.49	$119,915.08

NOTES:

1.—For the Fiscal Year 1937-38, under agreement the Dominion of Canada has authorized the expenditure on their account of the sum of $1,025,000.00 for Feed and Fodder relief in the Dry Areas.

2.—Approximately 7% of the Administration Costs as shown was in connection with relief outside the Drought Area.

of drought have required the Province to come to the assistance of farmers of that area by providing them with seed grain and feed, and to undertake extensive plans for rehabilitation. The recent succession of dry years throughout the southern part of Saskatchewan, and extending into Alberta, has resulted in the Dominion Government assuming responsibility for a large part of the relief expenditure in this south-eastern part. The extent to which the Province has had to make provision for relief in this area, since 1917, is indicated in Table VIII.

To appreciate, however, the full extent of the problem in this area, it is necessary to consider not only the direct expenditure for relief purposes, as set out in Table VIII, but also to consider the extent to which it has been necessary to write off expenditures for seed grain and other relief as well as arrears of taxes in previous years. The amount so written off is shown in an earlier chapter.

Unemployment relief, as a provincial necessity, first made its appearance during the years of depression in the early 1920's. While the amount expended by the Government in these years was fairly substantial, the total number claiming this form of relief was comparatively not large, and the problem disappeared completely with the return of more prosperous conditions after 1925. With the advent of the depression, in the latter part of 1929 and the early part of 1930, the problem appeared again in a very serious form and has since been the most serious single financial problem confronting all governmental organizations. From an administrative standpoint, the problem must be considered first in its relation to married applicants and secondly in its relation to single men.

For a time the Province was obliged to carry the entire load of unemployment relief unassisted. As early as the summer of 1928, it was recognized in Alberta that immigration had continued until the saturation point had been reached. Representations were then made to the Dominion Government to this effect, and a request was made that no further immigration should be permitted. This protest was particularly directed to the practice of the Railway Companies in bringing into Canada immigrants from foreign countries for construction and maintenance work. Again in July, 1929, a telegram was despatched to the then Minister of the Interior, pointing out that a greater number of unplaced applications than usual were being reported by the various Government Employment Offices and stating that over half of those seeking employment had been in Canada less than a year. It was pointed out that an exceedingly serious

situation would prevail the following winter unless energetic steps were taken by the Dominion and the Province to find placements. An investigation of the activities of the various Colonization Associations was requested. In the early part of 1930, the Province reported the amount of unemployment then prevailing and requested the Dominion to assist in meeting it. It was not until 1931, however, that the Federal Government agreed to participate. With respect to married men, the Dominion agreed to contribute to the Province on the basis of one-third of the actual expenditure for relief in solvent municipalities, and 50 per cent of the gross expenditures for relief to transients and for relief in local improvement districts and insolvent municipalities. In 1934, this agreement was changed by providing the Province with a monthly sum by way of a grant-in-aid in the sum of $100,000 per month. This arrangement was not satisfactory to the Province as it was unduly arbitrary in its nature. For example, immediately following the completion of this arrangement in 1934, that portion of the Province north of Edmonton, including the Peace River District, suffered a complete crop failure due to frost. This increased the demand for relief, in the Province, by over 25 per cent, but the Dominion refused to increase the amount of the grant-in-aid as already arranged.

Since 1934, subsequent agreements with the western provinces have been on a percentage basis of increase or decrease, without taking into consideration, however, the industrial and agricultural conditions prevailing in each province. This is the situation now prevailing, as between the Dominion and the Province, with respect to married applicants. The total cost of this type of relief, over and above the amount of the Dominion grant-in-aid, is divided as between the Province and the municipality in which the applicant resides.

One of the sources of constant complaint, on the part of the Province, lies in the fact that the Dominion has never had a resident representative in the Province to whom the Provincial Administration could apply for directions in the administration and interpretation of agreements. The Provincial expenditures are checked by auditors of the Dominion who have followed their own interpretations of the agreement in considering the various disbursements. The provinces have no avenue of redress other than by conferences from time to time with the Minister of Labour. While the Minister has been very fair in making adjustments in some specific cases that have been brought to his personal attention, still, in the opinion of the

Province, many causes of friction would be avoided if the Dominion employed a resident agent who could confer from time to time with the provincial officers in charge of relief.

From an administrative standpoint, relief to single men has presented even greater difficulties than relief to married men. In 1932, the Dominion announced that it would assume responsibility for single, homeless, unemployed persons to a maximum of 40 cents per man per day, the Province not being called upon to contribute to this service other than to contribute to the cost of administration. An agreement was entered into, to this effect. It is feared that this policy resulted in many young men from all classes of life leaving home, and this added to the problem of providing relief to those who had previously been employed but became unemployed by reason of conditions arising out of the depression. Many of these men became transients travelling throughout Canada and availing themselves of the depots that had been established in the urban centres to provide food and shelter. Subsequently the Dominion established national defence camps, but these could only absorb a limited number of physically fit. This also left as provincial charges many who could not qualify for work, in the camps, and were for other reasons incapable of undertaking manual labour. In 1935, the national defence camps were closed and for a time arrangements were made with the railways to absorb a certain number of single men. This employment, however, only lasted for a few months.

In 1936, the maximum number of single, homeless, registered and provided with relief in this Province reached a total of 10,000. This number is considered out of all proportion to the number who could properly qualify on the basis of past residence. For the calendar year 1936, the total cost of relief to single men was $982,000, of which the Federal Government contributes $233,000. In 1937, the total cost of this type of relief was approximately $1,176,000, of which the Federal Government contributed $358,000. This amount represented the Dominion's share of cost under agreements whereby a number of single men were placed on work projects and on farms on the basis set out in the agreement.

One of the causes of complaint, with respect to both types of unemployment relief, lies in the fact that the Province and the municipality is called upon to provide medical attention, hospitalization, sanitoria and other institutional care. While the Dominion has frequently been requested to assume a part of this cost, it has refused to do so. As in other provinces,

from year to year agreements have been entered into with the Dominion under which a certain amount of work has been undertaken by the Province for the purpose of providing a certain amount of employment to those receiving relief. From a provincial standpoint this work usually took the form of work on highway construction. The cities have been able to supplement the provincial undertakings by work on civic improvements. The cost of this work was divided between the Dominion, Province and Municipalities, according to the basis arranged from year to year.

Until the fiscal year 1937-38, the Province financed its share of unemployment relief costs by borrowing from the Dominion. In the fiscal year 1937-38, however, the amount of the provincial share was met out of the general revenue of the province, this being made possible by the fact that the Province had, in the preceding year, reduced the rate of interest payable on its public debt. As of the 31st of March, 1937, the total amount borrowed from the Dominion for the Province's share of unemployment relief, and represented by provincial treasury notes now held by the Dominion, amounted to $9,249,139.41. Table IX is a statement showing relief costs in the Province for the period March, 1931, to March, 1938, exclusive of the relief costs detailed in Table VIII.

Because of both national and international conditions, resulting from a decaying economic order, the unemployment problem in the Province remains acute. In addition, it must be frankly recognized that a substantial number of those now receiving relief have, over a period of years, become unemployable, and will probably remain a charge upon the Province for many years to come. Many of the municipal organizations have practically exhausted their ability to continue to carry their share of the burden. It is equally impossible for the Province to continue to do so. It is, of course, beyond argument that unemployment has resulted from conditions beyond the control of any of the provinces. The financial position of the Province is such that it is highly improbable that it will be able to repay the Dominion the amount already borrowed to finance unemployment relief and relief work. The total cost to the Province for direct relief and relief work, administration costs and medical and hospitalization fees is shown in the accompanying table, together with the division of these costs as between the Dominion on the one hand and the provinces and the municipalities on the other. The Province believes that, until the present economic system is reformed, the only solution to

this problem is that the Dominion should assume full responsibility for unemployment relief, making such arrangements with the Provinces as may be considered necessary for a certain part of the administrative responsibility.

TABLE IX

GOVERNMENT OF THE PROVINCE OF ALBERTA

Bureau of Relief and Public Welfare

STATEMENT SHOWING RELIEF COSTS FOR THE PERIOD MARCH, 1931, TO MARCH, 1938, INCLUSIVE

	Gross	Dominion	Province and Municipality
RELIEF WORKS—			
Year ending March 31—			
1931	$ 2,263,195.64	$ 586,589.71	$ 1,676,605.93
1932	4,426,941.46	2,028,428.86	2,398,512.60
1933	1,866,333.11	794,968.36	1,071,364.75
1934	389,606.49	115,413.34	274,193.15
1935	953,442.77	100,421.90	853,020.87
1936	663,665.81	168,994.99	494,670.82
1937	1,448,125.15	393,207.13	1,054,918.02
	$12,011,310.43	$ 4,188,024.29	$ 7,823,286 14
Estimated Year ending March 31, 1938	1,102,713.01	465,255.13	637,457.88
Total	(1)$13,114,023.44	$ 4,653,279.42	$ 8,460,744.02
DIRECT RELIEF—			
Year ending March 31—			
1931	$ 298,144.05	$ 100,012.44	$ 198,131.61
1932	1,886,638.99	677,919.02	1,208,719.97
1933	2,874,932.56	1,134,293.11	1,740,639.45
1934	3,573,835.17	1,346,144.75	2,227,690.42
1935	3,524,689.18	1,227,108.78	2,297,580.40
1936	4,492,505.06	1,528,797.25	2,963,707.81
1937	5,133,694.23	2,167,800.63	2,965,893.60
	$21,784,439.24	$ 8,182,075.98	$13,602,363.26
Estimated Year ending March 31, 1938	4,795,154.24	2,257,171.13	2,537,983.11
Total	$26,579,593.48	$10,439,247.11	$16,140,346.37
ADMINISTRATION—			
Year ending March 31—			
1931	$ 17,401.69	....	$ 17,401.69
1932	34,159.66	....	34,159.66
1933	93,082.08	....	93,082.08
1934	149,466.80	....	149,466.80
1935	146,138.03	....	146,138.03
1936	161,678.28	....	161,678.28
1937	169,906.54	....	169,906.54
	$ 771,833.08	....	$ 771,833.08
Estimated Year ending March 31, 1938	173,300.06	....	173,300.06
Total	$ 945,133.14	....	$ 945,133.14

TABLE IX.—*(Continued)*

	Gross	Dominion	Province and Munici-pality
MEDICAL AND HOSPITALIZATION—			
Year ending March 31—			
1931	$ 84,284.19	....	$ 84,284.19
1932	86,982.02	....	86,982.02
1933	117,538.56	....	117,538 56
1934	154,914.49	....	154,914.49
1935	155,959.39	....	155,959.39
1936	234,207.95	....	234,207.95
1937	218,728.26	....	218,728.26
	$ 1,052,614.86	....	$ 1,052,614.86
Estimated Year ending March 31, 1938	277,220.67	....	277,220.67
Total	$ 1,329,835.53		$ 1,329,835.53
RECAPITULATION—			
Relief Works	$13,114,023.44	$ 4,653,279.42	$ 8,460,744.02
Direct Relief	26,579,593.48	10,439,247 11	16,140,346.37
Administration	945,133.14	....	945,133.14
Medical and Hospitalization	1,329,835.53	....	1,329,835.53
Total Provincial Expenditure	$41,968,585.59	$15,092,526.53	$26,876,059.06
Indigent and Hospitalization Services in Organized Territories not contributed to by the Dominion Government	10,000,000.00	....	10,000,000.00
Grand Total	$51,968,585.59	$15,092,526.53	$36,876,059.06
	100%	29.04%	70.96%

(1) The larger part of the above expenditure, while shown in the Public Accounts as Unemployment Relief Works, was expended by the Department of Public Works.

CHAPTER XIII.

The Financial Problems of Local Governments

A very important part of the administrative work of the Government in Alberta, as in other Provinces of Canada, is undertaken by various local Government bodies. To these bodies, the Legislature of the Province has delegated certain powers to be exercised within the boundaries of the units. These powers include the building of roads, bridges, culverts and other public works; the protection of property; medical attention; hospitalization and relief for indigent persons. In recent years local governing bodies have been called upon to assist in the administration of such legislation as The Old Age Pension Act, The Mothers' Allowance Act and The Public Welfare Act and to assume wide duties in the administration of unemployment and agricultural relief. The cities and towns of course assume much wider administrative duties and provide much wider services for their people.

Any study of the economic welfare of the Province must include a consideration of the financial position of these local governing units, the burden of the services they are called upon to provide, and their ability to provide those services from the revenues normally available to them. The total weight of taxation which a citizen of the Province is called upon to bear, exclusive of Dominion taxes, is not of Provincial taxes only, but the total taxes imposed by the Provincial Government and local governing bodies as well. The total public debt of the Province includes the public debts of local governing bodies as well as that of the Provincial Government. The purpose of this chapter, therefore, is to outline in a summary manner the way in which local government is carried on in this Province and to indicate the degree of financial well being of these units.

LOCAL GOVERNMENT ADMINISTRATION

For the purpose of this discussion, Local Government will be considered as it is carried on by cities, towns, villages, rural municipal districts and improvement districts. School Districts are also part of the machinery of local government but reference is made to them in another chapter. The number of units of the different types of municipal bodies and the proportion of the population of the Province residing in each is shown in the following table.

TABLE I.

NUMBER OF CITIES, TOWNS, VILLAGES AND RURAL AREAS IN ALBERTA(1)

	1905	1912	1937	
			Number	Population
Cities	2	5	7	199,434
Towns	15	46	53(2)	49,170
Villages	30	73	146	35,626
Municipal Districts		55	158	348,296
Improvement Districts			240(3)	103,238

(1) Data from Department of Municipal Affairs. Such places as Banff, Jasper Park, etc., under Dominion Government control, not included in these figures. Population figures are for 1936.
(2) Including Lloydminster, the main street of which coincides with the Alberta-Saskatchewan boundary.
(3) Approximately.

Each of the cities operates under a special charter as there is no uniform City Act in effect in this Province. The towns and villages operate under The Town and Village Act of the Province, while the municipal districts and improvement districts operate under The Municipal District Act and The Improvement Districts Act respectively. In the cities, towns, villages and municipal districts the affairs are carried on by an elected council, but in improvement districts there are no elected representatives, the administration being carried on by the Provincial Department of Municipal Affairs. Councils of cities, towns, villages and municipal districts may raise funds by current borrowings and debenture issues. When borrowing for current operations, councils are given authority to hypothecate unpaid taxes and penalties as security for the loan, but whenever a debenture is decided upon this must be submitted to a vote of the proprietary electors and receive the approval of the Provincial Board of Public Utility Commissioners. The excellent debenture debt position of the municipal districts is largely due to the supervision and control exercised by the Department of Municipal Affairs and this Board.

DEPARTMENT OF MUNICIPAL AFFAIRS

From the time the Province was formed in 1905 until 1912, the supervision of all municipal organizations was under the direction of the Department of Public Works. In that year, however, the Department of Municipal Affairs was organized and has since continued as a separate Department of the Government dealing exclusively with the affairs of the various municipal bodies. Although authorized to do so, the Department in fact does not attempt the supervision of the affairs of the cities. It does, however, maintain a close and careful supervision over the affairs of all towns, villages and municipal districts. A close contact is maintained with all municipal officials and an annual

inspection is made of the books and accounts of each unit by an inspector of the Department. If the officials of any unit fail to conform with statutory requirements or with good business practices an attempt is first made by the inspector to have the failure corrected by the officials of the unit. If this effort fails the Minister of the Department may dismiss the officials of the unit and assume control of its affairs. In case a council is dismissed or resigns voluntarily, one of the Departmental inspectors is usually appointed Official Administrator. One municipal inspector is responsible for making recommendations when a municipality has intimated that it is unable to finance itself and has made application for a loan guaranteed by the Province. In such cases also an inspector may be placed in charge of the affairs of the applicant district. At the close of 1937 the affairs of seventeen municipal districts, two towns and four villages were being administered under the direction of the Department in this way. Ten of these seventeen municipal districts have however been transferred from the direction of the Department of Municipal Affairs to that of the Special Areas Board organized to supervise the rehabilitation of the dried out areas.

LOCAL IMPROVEMENT DISTRICTS AND SPECIAL AREAS

About 103,000 people (14 per cent of Alberta's population) live in rural areas where, for the most part, settlement is so recent or so sparse that it has not been deemed advisable to set up local government. These areas are called Improvement Districts and are controlled directly by the Department of Municipal Affairs and all governmental services, excepting education, are directed by the Department. Education in these areas is organized by local School boards as in the case of Municipal Districts. In 1927 the problems of the drought area in the south-eastern section of the Province became so acute as to demand special attention by the Government with the result that a Special Areas Board was organized. This Board has charge of the entire drought area comprising a territory approximately ninety miles in width and one hundred and fifty miles in length, with a total rural population of about 80,000. This area consists of about eight million acres and comprises roughly one-tenth of the arable land in the Province (not including the unsurveyed area). This Board is responsible for the rehabilitation of that area and has been given very wide powers so as to enable it to deal effectively with any problems which may arise. Under its direction settlers have been assisted in moving from that area into the more northerly parts of the Province; land holdings have been consolidated and arranged so as to give each holding, as far as possible, access to water; School Districts within the area have been

consolidated and under the recommendation of the Board, arrears of taxes have been adjusted or written off. The Board has very considerably reduced the cost of municipal service in that area.

DIRECTOR OF ASSESSMENTS

By 1919 the inequalities in the assessments under The Supplementary Revenue Tax Act (a land tax imposed by the Provincial Government) became apparent and served to emphasize the inequalities existing in the assessments by the Municipal Districts. In the following year, by Order-in-Council, a Board was created for the purpose of equalizing land assessment as between the municipal units. This Board functioned until 1929 when "The Alberta Assessment Commission Act" was passed creating an Assessment Commission. The duties of this Commission included the hearing of appeals from assessments which had formerly been the responsibility of the Judges of the District Courts under the provisions of the various Municipal Acts. This Commission also continued the work of equalizing assessments throughout the Province. This Act was repealed in 1935 and a new act, "The Alberta Assessment Commission Act," substituted. Under this Act a Director of Assessments was appointed within the Department of Municipal Affairs. This director hears and determines all appeals from the decisions of Courts of Revision established under the provisions of The Town and Village Act, The Municipal District Act, The Improvement Districts Act and The School Assessment Act. He also continues the work of equalizing assessments of municipalities; he makes any special assessments required under the terms of any Statute, such as The Electric Power Taxation Act and The Pipe Line Taxation Act; he also makes recommendations to the Minister of the Department as to standards and methods of assessment, and he suggests regulations for the guidance of assessors in making assessments in any municipality for the purpose of securing general uniformity in assessments. The Act provides for an appeal from his decisions to the Alberta Assessment Commission. The Board of Public Utility Commissioners has been named as the Alberta Assessment Commission.

FISCAL DIFFICULTIES

The report of the Alberta Taxation Inquiry Board(1) stated, ". . . . no satisfactory readjustment of the tax problem can be effected until an agreement has been reached between the three taxing authorities, Dominion, Provincial and Municipal, as to their respective obligations. The fiscal problems of these authorities are closely related and interwoven, and should be solved as

(1) 1935, King's Printer, Edmonton.

phases of the same problem rather than as separate and unrelated issues."

The fiscal problems of local governments in Alberta arise out of the growing demand for expanded public services and the inadequate, restricted tax structure. The growth of public functions has been alluded to in other sections. For the most part the present tax structure was designed to meet much more restricted demands for public service. So long as public functions were confined chiefly to protecting property, administering justice and providing elementary education, tax revenues derived from real estate were not unduly oppressive.

The conception of governmental responsibility has very greatly widened, however, and governments have taken on a number of other functions such as relief, old age pensions, sanitation and other health measures, as well as an elaborate system of elementary, secondary and technical education. Both the old and the new functions of government are still supported however by means of revenues raised primarily from land. The tax burden on land has become so great in many urban centres in the Province that the burden cannot be carried much longer.

An analysis of current expenditures of the various municipal units reveals that public expenditures are no longer for purposes that can justly be imposed solely upon land. This fact is shown by the three tables that will now be referred to. Table II sets out

TABLE II.
EXPENDITURE—TOWNS(1)
(In Thousands)

Year	Administration	Public Works	Protection Fire and Police	Health and Relief	Debenture Redemption	Grants	TOTAL
1923	$ 255	$ 213	$ 80	$ 65	$ 289	$ 12	$ 914
1924	182	220	82	61	189	15	749
1925	222	238	77	70	300	9	916
1926	236	300	83	68	262	16	965
1927	208	302	89	80	175	18	872
1928	170	362	109	87	160	21	909
1929	334	348	141	117	149	—	1,089
1930	267	429	105	136	274	—	1,211
1931	157	371	95	138	271	—	1,032
1932	134	349	79	154	246	—	962
1933	183	257	80	160	196	—	876
1934	183	321	86	190	184	—	964
1935	187	368	98	196	188	—	1,037
1936	189	379	108	237	157	—	1,070
1923-29 inc.	$1,607	$1,983	$ 661	$ 548	$1,524	$ 91	$6,414
1930-36 inc.	$1,300	$2,474	$ 651	$1,211	$1,516	—	$7,152

(1) From Department of Municipal Affairs. The figures do not include education costs. This is true for next two tables.
— Included in Health and Relief.

TABLE III.

EXPENDITURE—VILLAGES(1)

(In Thousands)

Year	Administration	Public Works	Protection Fire and Police	Health and Relief	Debenture Redemption	Grants	TOTAL
1923	$ 68	$ 141	$	$ 13	$ 27	$ 6	$255
1924	72	131		15	21	5	244
1925	63	147		18	19	4	251
1926	69	154		20	17	5	265
1927	69	152	22	18	17	16	294
1928	64	210	20	24	90	17	425
1929	55	234	26	35	18	—	368
1930	58	184	33	39	22	—	336
1931	62	159	31	46	20	—	318
1932	59	144	23	48	18	—	292
1933	57	144	17	51	16	—	285
1934	60	159	24	62	12	—	317
1935	61	147	24	72	11	—	315
1936	60	169	26	89	10	—	354
1923-29 inc.	460	1,169	68	143	209	53	2,102
1930-36 inc.	417	1,106	178	407	109	—	2,217

(1) From Department of Municipal Affairs.
— Included in Health and Relief.

TABLE IV.

EXPENDITURE—MUNICIPAL DISTRICTS.(1)

(In Thousands)

Year	Administration	Public Works	Protection Fire and Police	Grants, Health and Relief	Debenture Redemption	TOTAL
1923	$ 785	$1,811	$.....	$ 204	$.....	$ 2,800
1924	690	2,334	......	207	......	3,231
1925	645	2,345	......	207	......	3,197
1926	593	2,494	105	223	......	3,415
1927	660	2,922	137	314	......	4,033
1928	644	1,271	116	271	......	2,302
1929	660	3,484	151	304	......	4,599
1930	595	3,141	150	345	......	4,231
1931	573	2,506	116	416	6	3,617
1932	601	1,640	99	411	4	2,755
1933	492	1,451	98	410	3	2,454
1934	502	1,971	123	571	5	3,172
1935	511	1,818	100	650	4	3,083
1936	546	1,812	99	796	....	3,253
1923-29 inc.	$4,677	$16,661	509	$1,730	....	$23,577
1930-36 inc.	3,820	14,339	785	3,599	$ 22	22,565

(1) From Department of Municipal Affairs.

an analysis of the expenditures of the towns of the Province from 1923 to 1936. It will be observed that the cost of administration in the towns of the Province actually declined notwithstanding a material increase in the number of towns and in population. Expenditures for the protection of property and persons have increased only nominally but the cost of health and relief have mounted steadily until in 1936 they were nearly four times what they were in 1923.

In Table III a similar analysis is shown for the villages. It indicates that the costs of administration, public works and debt redemption have been considerably less in the period from 1930 to 1936 than in the period from 1923 to 1929. Health and relief costs, however, have increased by about 200 per cent. Notwithstanding the growth in the number of villages and in population and the increase in relief costs, the total expenditures of the villages for the six years ending in 1936 were virtually the same as in the six years ending in 1929.

In the case of the municipal districts, debenture debts have been almost completely wiped out, administration costs have been pared to the bone and roads and other public works have been neglected as Table IV indicates. On the other hand grants in aid of welfare purposes, health and relief costs have mounted steadily until in 1936 they were nearly four times as high as in 1923. Yet, significantly enough, the total expenditures of municipal districts in the six-year period ending in 1936 were smaller than in the six-year period ending in 1929. This reduction was forced through sheer necessity, following the rapid decline in the values of farm products, and resulted in the almost complete abandonment of expenditure for roads and public works.

In the cities a similar situation is found. In Edmonton, for example, in 1936, out of a total expenditure of over $5,000,000 less than 8 per cent ($464,000) was for protection of persons and property as shown by Table V. Three per cent was incurred for general administration. About 2 per cent was spent for highways and streets. Nearly all of the balance, exclusive of debt service, was spent on education and the social services, including health, mothers' allowance, relief and the like.

What is said about the city of Edmonton will also apply, to an equal extent, to the city of Calgary. Out of a total expenditure in that city for the year 1936 of $4,427,714.14, the sum of $2,359,771.76 was spent for social services or over 50 per cent of the total expenditure. This expenditure is made up as follows:

Civic Relief and Charities	$ 887,558.76
Children's Aid	14,705.07
Health and Clinic	59,005.12
Hospitals	59,502.81
Education	1,339,000.00
Total cost of Social Services	$2,359,771.76

In the same year the city of Lethbridge found itself in an even more difficult position due to the fact that employment in the coal mines adjacent to that city is of an intermittent nature, and many miners were obliged to seek relief for part of the year. It is estimated that 42 per cent of the city's total expenditure represented the cost of unemployment relief for that year.

TABLE V.

SUMMARY OF CURRENT EXPENDITURES IN EDMONTON.

	1929	1935	1936	%
General Adm.	$ 185,903	$ 154,353	$ 167,169	3.218
Protection of Persons and Property	520,641	468,032	464,228	8.937
Highways and Streets	133,432	104,929	115,455	2.223
Education	1,409,200	1,408,000	1,438,475	27.694
Health and Sanitation	171,674	180,265	189,993	3.660
Social Service and Welfare (not including direct relief)	286,543	406,175	388,815	7.482
Parks and Recreation	82,060	70,735	78,796	1.517
Unclassified (including relief)	174,318	629,731	765,883	14.745
Frontage Taxes on forfeited properties	145,510	125,176	136,004	2.619
Total for General Purposes	3,109,281	3,547,396	3,744,818	72.090
Debenture Interest and Redemption, General	1,143,369	1,470,078	1,569,449	30.216
Deficit			129,799	2.500
	4,252,650	5,017,474	5,444,066	
Surplus	1,589	250,000	250,000	
	$4,254,239	$4,767,474	$5,194,006	100.0%

BURDEN ON REAL ESTATE AND TAX ARREARS

In the 53 towns and 147 villages, about 90 per cent of the tax revenue comes from real estate. In some of the smaller units it is probable that the figure runs close to 100 per cent. In the municipal districts a larger percentage of the revenue on the average comes from real estate than in the case of the towns and villages. It is probable that in the majority of the municipal districts the percentage runs as high as 98 per cent. Even in the cities it is estimated that on account of the narrow tax base that can be allotted to them, from 80 to 90 per cent of the total revenue is represented by the tax on land. This explains the com-

paratively high mill rate which the cities have been obliged to levy during the past few years. In 1936 the city of Wetaskiwin had the lowest mill rate, namely 33. The mill rate in Edmonton was 55 and in Calgary 56, while the city of Drumheller with its high expenditure for unemployment relief was obliged to levy a rate of 60.

So long as real estate constituted the chief form of property and there were few non-property holders in a community, a tax system based on land values operated with reasonable fairness. In the course of time, however, with the widening of the franchise and the growth of social and economic problems, pressure was exerted on governments to expand services. In the early days, the tax revenues were largely spent to improve the status of the land holder. In time an increasing share of the tax revenue was employed to furnish services to the non-property holder although the revenue continued to be drawn from real estate. At one time education was a luxury available to those who could afford to pay for it. When later it became recognized, quite properly, as a public responsibility, the burden of financing this reform still continued to rest on the owners of land. Not many years ago the widowed mother had to face her calamity as best she could, or was supported by private charity. This was also true of the indigent, the unemployed and the mentally ill. Few today will seriously question the duty of the state to care for such unfortunates. The proposition is still voiced by some that property should only be taxed for such services as benefit the property holder. This proposition probably must be subject to considerable modification. At the same time the question can be properly raised as to whether a specific class in society should be selected to support the whole burden of social welfare and social service. Property holders should not be given preferred treatment; nor should they be isolated and discriminated against.

The problem of increasing cost of social services is found in its most serious form in the cities where about 26 per cent of the people of the Province reside.(1)

In Edmonton for example the cost of education has increased from $740,000 in 1917 to $1,438,475 in 1936, an increase of nearly 100 per cent, although population during that period

(1) Population of Alberta cities

Edmonton	85,470	Red Deer	2,344
Calgary	83,304	Wetaskiwin	2,125
Lethbridge	13,489	Drumheller	2,987
Medicine Hat	10,300		

increased more slowly. Social services, including mothers' allowances, mental defectives, tubercular patients, old age pensions and unemployment relief, increased from $5,163.00 in 1919 to $775,235.00 in 1936, an increase obviously out of all proportion to the increase of population. Indigent relief increased from $3,146.00 in 1919 to $117,730.00 in 1936. The cost of protecting property (such as police and fire protection) and of providing streets on the other hand has decreased considerably. While the tax revenues have steadily increased the number of tax payers has declined materially. In Edmonton, out of a population of 85,470, the total number of tax payers in 1936 was only 14,023. In Calgary in 1937 out of a total population of 83,304 the number of tax payers was 12,147.

The following observations of the City Comptroller in 1937 emphasize the gravity of the financial position in which Edmonton finds itself:

> "The result of the operations for the past year was a deficit of $621,205.09 as compared with a deficit of $129,799.31 in 1935. To this item of $621,205.09 must be added $250,000 for Sinking Funds capitalized, and $265,411 for Debenture Interest and Sinking Funds deducted from the levy in order to come within 55 mills, a total deduction from debenture charges of $515,411, making a *true operating deficit* for 1936 of $1,136,616.09, or a tax rate of 76.35 mills."(1)

The fiscal position of the cities is adversely affected by the earlier excessive expansion and land boom. But in addition to the inevitable decline in land values, the burdensome taxes on land are driving down land value to a small fraction of its early market and assessment value. In Edmonton, for example, land assessment stood at $191,300,000 in 1914; in 1938 it was only 23 million dollars although between those years population had risen from about 35,000 to 85,000. In Calgary over the same period a reduction took place from 180 million dollars to 23 million dollars. In Lethbridge in 1919 the assessment was $15,112,980 with a population of 10,950; in 1936 with a population of 13,520 the assessment had dropped to $9,561,595. In the city of Medicine Hat in the four years from 1932 to 1936 the assessment declined by nearly 3 million dollars.

Previous to 1918 the cities of Edmonton and Calgary had made their assessments on the basis of a single tax, buildings and improvements being exempt. In that year, however, the single tax principle was abandoned and land is now assessed at its fair actual value with buildings and improvements valued at

(1) Comptroller's Report, 1937.

varying percentages of their value. In Edmonton the rate applied to buildings is 50 per cent of the value of dwellings and 60 per cent of business premises. In Calgary on both dwellings and business premises the rate is 50 per cent, while in Lethbridge and Medicine Hat the rate is 66 2/3 per cent.

The proportion of tax levies actually collected is one reflection of tax paying ability. The accompanying tabulation is indicative of the inability of property holders to pay their taxes.(1)

TABLE VI.

Municipality	Per Capita Tax Levy		Percentage of Current Levy uncollected at the end of fiscal year	
	1936	1935	1936	1935
Edmonton	$43.84	$45.86	19.7%	21.1%
Calgary	45.01	43.62	24.9	24.9
Lethbridge	40.46	38.97	19.8	20.0
Medicine Hat	34.53	35.20	27.3	26.8
Regina	44.03	46.60	39.3	41.2
Saskatoon	44.91	43.94	36.4	39.4
Brandon	28.21	29.35	42.7	39.8
Winnipeg	41.13	42.08	28.8	31.4

This data indicates that the problem is not confined to Alberta cities. When from one-fifth to one-quarter of tax levies is uncollected, as is the case in Alberta cities, and the properties become threatened with forfeiture, we must assume that the burden has become excessive.

FORFEITURE FOR TAXES

In Edmonton the total amount of arrears and penalties against lands forfeited to the city, up to 1937, was $5,780,667 which, combined with the amount of $2,076,959 of current arrears in taxes, makes a total of $7,857,627 still outstanding. The total lots contained within the city limits amounted to 110,000 and the physical basis of taxation has now shrunk to 53,257 lots. The accompanying schedule indicates that nearly 57,000 parcels of land, assessed at over $10,000,000, today stand as forfeited to the city.

TABLE VII.
PROPERTY ACQUIRED BY CITY THROUGH TAX FORFEITURE.

	No. of Parcels	Assessed Value
As at Dec. 31st, 1934 (1933 Caveat not included)	56,057	$ 8,897,380
1935	1,563	1,136,235
1936	978	561,000
	58,598	10,594,615
Less sold 1935 and 1936	1,855	315,583
	56,743	$10,279,032

(1) Bulletin, Citizens' Research Institute, June 30, 1937.

In the city of Calgary at the end of 1936 the assessed value of forfeited lands within the city limits was $5,558,458 and the assessed value of forfeited buildings $269,320. The accumulation of tax arrears as represented by taxes in arrears at the end of each year from 1926 is as follows:

1926	$ 615,543
1927	606,178
1928	487,591
1929	495,893
1930	706,301
1931	919,985
1932	1,363,854
1933	1,552,919
1934	1,564,186
1935	1,423,006

In the city of Lethbridge tax arrears had accumulated from the sum of $163,930 in 1930 to $429,985 at the end of 1936, while at the end of that year 198 business lots had been forfeited to the city for non-payment of taxes with an assessed value of $165,930 and 7,866 residence lots with an assessed value of nearly one million dollars.

Such a state of affairs should be cause for alarm. It is true that much of this forfeited land lies outside of the thickly settled portions of these cities; yet property centrally located is being forfeited as well. For example, several large business blocks on Jasper Avenue, the main business street of the city of Edmonton, have been forfeited to the city. These had an assessment value of several hundred thousand dollars. The annual revenues derived from these properties were either completely absorbed by the tax collector, or so nearly was this the case, that their retention under private ownership no longer seemed worthwhile to their former owners. It is also significant that on Jasper Avenue, between 101st and 109th Streets (virtually the heart of the business district), 20 vacant lots have been forfeited to the city for non-payment of taxes, and that these had an assessed value of nearly $350,000. Altogether at least 1,000 business and residential properties have been forfeited to the city. Nearly 2,000 home properties were at various stages of forfeiture in September, 1937. Those who are familiar with conditions in the cities are fearful that unless appropriate action is taken the forfeiture of improved as well as unimproved properties will continue at an accelerated rate.

LOCAL ASSESSMENT AND TAX ARREARS

The accompanying table indicates the position with respect to local assessment, tax levies, collections, and arrears. In 1936 local tax levies (not including revenues from other taxes and other sources) amounted to $17,156,000, or $23.32 per capita, but

at that time nearly $28,000,000 of taxes were in arrears, or about $38.00 per capita. Averages are deceptive. While the per capita arrearage was $38.00, not all people are direct tax payers; if these figures were reduced to a tax payer basis (which is impossible with data on hand), the picture would be much darker. In Edmonton, for example, the current arrears amount to about $2,076,959; if this sum is divided between the 16,292 property tax payers the arrears per tax payer are $128.00. Even this does not state the whole problem. Since many tax payers are not in arrears the burden rests on those who are, and this would increase the per capita rate greatly above the figure quoted.

TABLE VIII.

LOCAL ASSESSMENT AND TAXES, 1936.(1)

	Per Capita Assessment	Per Capita Levy	Per Capita Collection (2)	Per Capita Arrears Uncollected	Total Arrears Uncollected
Cities	$694	$44.46	$44.81	$24.14	$ 4,814,857
Towns	700	19.41	17.79	42.61	2,094,979
Villages	526	8.64	8.00	18.50	659,120
Municipal Districts	942	17.58	16.39	52.32	18,221,085
Improvement Districts	680	8.76	6.53	21.14	2,182,604
Totals or Averages	$802	$23.32	$22.39	$38.02	$27,972,645

(1) Data secured from Department of Municipal Affairs.
(2) Includes arrears collected in 1936.

It will be observed that the position of the municipal districts is equally serious with respect to tax arrears, the total arrears uncollected as at the end of 1936 being $18,221,085 or $52.32 per capita. The situation in the municipal districts shows a wide variation with respect to arrears, as is shown in Table IX. In this data from ten different rural municipal districts from widely separated sections of the Province are shown. Districts have been selected from the best, worst and moderately good sections of the Province. This table shows wide variations in the per capita assessments, levies and collections. Of these ten districts the best record shows a tax arrearage of about $15.00 per capita, while the worst record shows a delinquency of $156.00 per capita, a record about ten times as bad as the best.

TABLE IX.

LOCAL ASSESSMENT AND TAXES FOR TEN SELECTED RURAL DISTRICTS, 1936.(1)

Municipal District	Per Capita Assessment	Per Capita Levy	Per Capita Collection(2)	Per Capita Arrears Uncollected	Total Arrears Uncollected
Warner, No. 36	$2,106	$27.32	$19.12	$83.73	$109,290.85
Sugar City, No. 37	1,486	15.11	12.30	37.91	83,089.11
Clear Lake, No. 129	2,369	21.29	17.33	39.66	80,188.45
Royal, No. 158	2,857	35.74	26.04	155.53	245,736.57
Mountain View, No. 310	1,250	22.48	19.61	39.49	108,548.11
Waverly, No. 367	1,353	22.04	25.04	30.40	62,693.76
Vermilion Valley, No. 482	1,020	28.40	23.23	67.30	138,710.95
Norma, No. 515	849	14.31	15.15	17.06	56,322.37
Grande Prairie, No. 739	844	14.43	18.71	50.53	120,657.24
Fairview, No. 858	817	16.74	20.79	15.39	37,708.30

(1) Data secured from Department of Municipal Affairs.
(2) Includes arrears collected in 1936.

Serious doubts may be raised about the possibility of tax payers ever being able to make up such arrears.(3)

The accompanying tabulation shows the ratio of tax arrears to current collections for the period since 1927. These figures indicate that the problem of tax arrears is not of depression origin. Rather, it arises from more fundamental disabilities. The arrears in 1936 in the municipal districts were nearly two and

TABLE X.

TAX ARREARS IN TOWNS, VILLAGES AND MUNICIPAL DISTRICTS.(1)

	TOWNS Tax Arrears as a Ratio of		VILLAGES Tax Arrears as a Ratio of		MUNICIPAL DISTRICTS Tax Arrears as a Ratio of	
	Levy	Collections	Levy	Collections	Levy	Collections
1927	128	144	122	139	107	107
1928	126	137	91	100	95	92
1929	109	123	95	113	100	111
1930	117	144	120	159	128	172
1931	108	133	128	147	157	176
1932	134	160	147	163	190	209
1933	157	190	180	194	281	219
1934	171	185	198	200	216	206
1935	210	230	210	223	231	243
1936	221	240	211	226	238	252

(3) Elsewhere in this report data were presented showing the large amounts of local taxes and advances which have been written off.
(1) Data from Department of Municipal Affairs.

one-half times the current levies. In the towns and cities the situation was almost as bad. Up to the time of writing little or no improvement had taken place.

DEBENTURE DEBT

The one relatively bright spot in the picture of local government in Alberta is the low local debt. With the exception of a fairly substantial city debt, local governments in the Province are comparatively debt free. The total local debt (gross debt less sinking fund) is $53,811,008, which is $85.00 per capita, as the accompanying table shows. In the cities, however, the situation is more serious. The cities have a debt of $47,948,234 or $240.00 per capita,(1) but most of this is found in the two largest cities, Edmonton and Calgary. Part of the debt of both these cities is represented by revenue-producing assets. These assets consist for the most part of publicly owned utilities which in the main have been successfully operated.

TABLE XI.
LOCAL GOVERNMENT DEBT, 1936.(2)

	Debenture Liability	Seed Grain and Feed Relief(3)	Temporary Loans	Totals less Sinking Fund	Per Capita	Population
Cities	$65,657,741	....	$7,463,226	$47,948,234	240	199,434
Towns	1,939,465	....	117,322	2,056,787	42	49,170
Villages	37,909	....	10,585	48,494	1	35,626
Municipal Districts	6,014	$2,769,922	981,557	3,757,493	11	348,296
Totals	$67,641,129	$2,769,922	$8,572,690	$53,811,008	85	632,526

SUMMARY

It is difficult to relate statistically the tax burden to the incomes of the people. That many tax payers have found their taxes unduly heavy is evidenced by the growing tax arrears and the records of forfeited titles to land. The burden of heavy taxes, coupled with the burden of high interest rates on land mortgages, has proven too severe in many cases. The tax burden alone, or the interest burden alone, could perhaps have been met in many cases where the two burdens combined turned out to be too onerous. Two such burdens, however, to be met out of a highly variable and uncertain income constituted more than many people could bear. Tax delinquency, forfeited lands, anti-foreclosure laws, debt and interest reduction laws—all are an expression of the economic plight in which the people of Alberta have found themselves. After years of struggle many have lost hope; others are still trying to meet their obligations. A turn of fortune's wheel in the form of somewhat higher incomes of a

(1) Data secured from Department of Municipal Affairs, 1937.

(2) Data from Department of Municipal Affairs. School Districts have a debenture debt of about $10,000,000.

(3) Due Provincial Government. Considerable sums have been charged off by the Provincial Government.

more stable character from year to year, or a system of costs correlating more closely with income, would relieve much distress.

The situation facing the local governments has become critical. Under The Public Utilities Act the Minister, the council of a municipal unit or the bondholders may apply to the Board of Public Utility Commissioners for a re-adjustment of any debenture liability. However, the Board, with the approval of the Lieutenant Governor in Council, may direct a settlement only if holders of 60 per cent of the debentures give their consent.

So far the Board has been unable to effect compromises other than for interest rates. In no case has the principal been reduced. In view of recent court decisions there is considerable doubt whether the Board can reduce arbitrarily these debenture loans and interest. To the beginning of 1938 the Board has effected compromises with respect to Edmonton and Calgary, nine towns, one village, 63 school districts and two municipal hospital districts. The fiscal position of the Province precludes substantial relief from this source. Short of a general settlement of the debt problem in conjunction with a reform of the system from which it arises, no permanent solution of these difficulties of local authorities is possible. However, the situation would be eased on a temporary basis and to a considerable extent, if the pressure on the Provincial budget was relieved by money grants from the Dominion Government on lines suggested hereafter.

CHAPTER XIV.

The Need of Better Housing in Alberta and Its Relation to Unemployment

A pressing need of our people could have been met, and the problem of unemployment relief partially solved during the last few years, by a planned system of low-cost home construction, if funds had been available on long terms and at a low rate of interest. The lending institutions in Canada, by themselves, failed to meet the situation, whereupon the Dominion Government, in 1935, enacted The Dominion Housing Act to stimulate the building of homes throughout Canada. This legislation was somewhat constructive but did not go far enough. It has been of little benefit to Western Canada, and of no benefit to Alberta, as will be noted by the following statement issued at Ottawa on November 3rd, 1937, showing loans made in the nine provinces from the inception of the Act until October 31st, 1937:

Ontario	885		$ 5,154,292.00
Quebec	485		4,200,829.00
Nova Scotia	243	570 loans totalling	2,543,182.00
British Columbia	215		
New Brunswick	58		
Manitoba	42		
P. E. Island	10		
Saskatchewan	2		
Alberta	Nil		Nil
			$11,898,303.00

The Dominion should have provided funds for home-building several years before 1935 on long terms at low rates of interest —at say not more than two per cent per annum to cover administration charges—as a means of furnishing much needed housing accommodation and of creating employment. The lending institutions insist that they cannot lend money at interest rates of two to four per cent per annum on long terms. Assuming this to be the case, we can only say that they have ceased to be of value in solving our present-day problems and must give way to a new system. The old system will have to be discarded just as old machines are scrapped from time to time to give way to new inventions. Every business and activity must adapt itself to new conditions that arise in order to survive. Experience has shown that lending organizations have failed to meet the crisis but despite this there is great hesitancy on the part of the Government of Canada to take any step which will operate to the disadvantage of these corporations. It is contended that there must and will be a radical change in this policy as the interests

of the nation as a whole must be considered first. The day of high interest rates is over. Western Canada is no longer a pioneer country and if it is to progress, it must be provided with credit for essential undertakings at low interest rates and on long terms.

Lending corporations have refused to make loans in Alberta under The Dominion Housing Act on the ground that legislation in Alberta relating to mortgages and debts generally is not satisfactory from the lender's point of view, but it is believed the real reasons for their refusal to lend under this Act are, firstly, fear lest the lending of money at 5% per annum would react against the collection of interest on existing mortgages bearing interest at seven, eight and nine per cent and, secondly, the tendency of loaning companies to raise interest rates by curtailing credit, because this method invariably increases both demand and willingness on the part of the borrower to pay almost any price for credit. Regarding debt legislation, it is well to remember that certain other provinces have also seen fit to protect debtors under certain circumstances. The prevailing opinion in Alberta is that debt legislation was absolutely necessary to protect debtors in the Province from loan companies and other creditors who have been far too exacting in their demands, notwithstanding the absolute inability of borrowers to make their payments. Existing debt legislation in the Province does not interfere with securities taken by The Canadian Farm Loan Board, nor does it interfere with securities that might be taken under the terms of The Dominion Housing Act.

At any rate, no matter which way one looks at it, the present system of financing the building of homes has broken down. Even if loan companies would agree to advance funds in Alberta under The Dominion Housing Act, they would probably, as in the past, limit their advances to certain sections of a city and to certain types of houses and would not be interested in a general scheme for providing low-cost homes. It would appear from the experience in Manitoba that the average loan made under the Act is \$8,400.00.(1) As for the interest rate of 5 per cent provided by the Act, it is contended that this is excessive in the light of past experience of individuals and nations and in view of the fact that only one dollar is available to our people for every five that they already owe. It may be observed that as the Dominion Government contributes funds under this Act at three per cent per annum, the actual interest yield to the lending institutions is between 5.6 and 5.9 per cent. This clearly proves that the Dominion Government can and does provide funds at less cost than private corporations and should make available all the

(1) (Press Release from the Department of Finance at Ottawa, June 14th, 1937.)

necessary credit for the construction of low-cost homes without passing on to lending institutions the opportunity to profit at the expense of the home builder unless these institutions will provide credit at a low rate of say 2 per cent per annum on long terms. As a result of the existing circumstances, we have in Alberta a real housing shortage and a growing slum menace with all its attendant misery, large-scale unemployment, heavy relief expenditures and a shrinkage in the assessment rolls of the cities necessitating an abnormally high mill rate and a consequent forfeiture of homes. Rural homes have also deteriorated rapidly and do not provide an incentive to people to remain in the rural districts. Speaking generally, the Dominion Government has maintained an indifferent attitude towards the critical situation which prevails, making only feeble attempts to correct a condition that requires drastic treatment.

SHORTAGE OF HOMES IN ALBERTA

There is a very definite shortage of homes in the Province. For the purpose of precise illustration, the city of Edmonton is used, although it is believed that upon examination it will be found that other cities are in the same position and possibly feel the effect of the shortage of houses even more than Edmonton.

The Dominion Bureau of Statistics in its publication, "The Housing Accommodation of the Canadian People", 1935, based upon replies to questions asked in the 1931 Dominion Census, reveals that Alberta was even then deficient in housing accommodation to an extent greater than in the other provinces in Canada. The present inefficient financial system renders our working people more in need of employment than are the working people of most of the other provinces of Canada, a condition that will continue as long as our present home owners are dependent upon business activity and employment in order to save their homes from foreclosure and forfeiture. This publication shows that 68.71 per cent of Alberta's rural households were then living in houses of from one to four rooms and 46.97 per cent of its urban households were housed in one, two, three or four rooms. The following table from the Dominion Report shows the percentage comparison with the average for Canada:

TABLE I.

	Canada	Alberta	
		Rural	Urban
Households with 1 room	5.61%	15.55%	6.35%
Households with 2 rooms	9.69%	18.79%	9.40%
Households with 3 rooms	10.27%	16.06%	10.55%
Households with 4 rooms	13.80%	18.31%	16.67%
TOTAL 1 to 4 rooms	39.37%	68.71%	42.97%

Further comparison of the cities of Canada having populations of 30,000 or more, shows that Edmonton and Calgary in 1931 had each about a quarter of their population living in one, two and three-room shacks or small apartments. The following table shows the comparison with all Canada:

TABLE II.
CITIES OF 30,000 POPULATION OR OVER

	Canada	Edmonton	Calgary
Households in 1 room	2.50%	7.12%	5.89%
Households in 2 rooms	4.43%	8.18%	8.98%
Households in 3 rooms	8.65%	9.13%	10.53%
	15.58%	24.43%	25.40%

	Edmonton	Calgary
Total number of owned homes	10,007	10,526
Total number of rented homes	8,861	9,845
Percentage of owned homes	53.04%	51.67%
Percentage of rented homes	46.96%	48.33%
Number of lodging families	889	1,143

Even at the time of the 1931 Census, it was apparent that housing conditions in Calgary and Edmonton, with one-quarter of the population living in one, two and three-roomed dwellings, and nearly one-half of the population living in rented houses, were far from satisfactory. The condition has been greatly aggravated since then.

Despite abundant available materials and a plentiful supply of human labour, the effect of the lack of funds for home building is reflected in Table III showing the number and value of building permits issued during recent years in the City of Edmonton, and the total value of the assessment roll. The year 1929 is taken as the starting point because it was a peak year in building construction in Edmonton, with virtually every man employed.

TABLE III.

Year	No. of Permits	Value	Total City Assessment
1929	1,339	$ 5,670,185.00	$63,176,880.00
1930	1,166	4,300,935.00	65,687,070.00
1931	914	1,377,175.00	66,496,485.00
1932	789	1,093,045.00	66,099,395.00
1933	581	428,565.00	65,756,720.00
1934	566	479,108.00	56,475,850.00
1935	651	676,535.00	54,613,530.00
1936	742	895,440.00	54,063,020.00
1937	908	865,560.00	53,948,165.00

From the above table it will be seen how severely Alberta has been hit by curtailment of normal building activity. It caused in the capital City of Edmonton a shrinkage from $5,670,-185.00 in 1929 to $1,377,175.00 two years later and a further

shrinkage to $428,565.00 in the ensuing two years. This terrific shrinkage of expenditures in the building trade in the eight years from 1929 to 1937 as a result of policies of credit restriction has been a major cause of unemployment in the cities of Alberta.

Increase in the value of building permits to over $600,000.00 in the years 1935 and 1936 does not indicate any increase in home building. The increases in 1935 and 1936 were due to the erection of five public buildings in 1935, and the erection of the new plant of Canada Packers, Limited, in 1936.

Table IV in the appendix to this Chapter gives an itemized analysis of the building returns for the City of Edmonton, taken from the books of the Building Inspector's office, and gives an accurate picture of the shrinkage since 1929. The heavy curtailment of home building indicated in this Table was not due to any failure of demand for homes which, during these years, was more exigent than before. The decline in home-building was due mainly to the failure of the Bank of Canada to make available sufficient financial credit on satisfactory terms. In another Chapter of this Brief it has been shown that the Central Bank could have purchased the gold production of Canada with its own paper and upon this gold as a base could have expanded credits to be advanced to provincial and municipal governments for home building and other works schemes at very low rates, without for one moment affecting the external exchange value of the Canadian dollar. This it failed to do, however, and building lagged. Many men, who under building programmes could have been employed, were forced to the breadline, thus increasing the relief burden on governments. High taxes, occasioned by large expenditures for relief, social services and high interest rates on a mounting bonded indebtedness, also acted as a brake to home building in the cities. A planned home building programme would go a long way towards alleviating the problem of high taxes.

Table V in the appendix to this Chapter is a report on the construction industries of Canada, 1936, taken from the Dominion Bureau of Statistics. It is to be noted that the amount spent in 1936 in Alberta on alterations, maintenance and repairs was nearly equal to the amount spent on new construction and the percentage which the former figure bears to the latter is much greater in Alberta and Saskatchewan than in any other province. This simply indicates that instead of building new homes people are endeavouring to get along for the time being by crowding into single family dwellings which have been converted into two or more suites.

Between the years 1931 and 1936 the population of the City of Edmonton increased by ten per cent, the 1931 Dominion Census

showing a population of 79,197, and the 1936 Census a population of 86,136.

For this ten per cent increase of population there was no commensurate addition to the housing accommodation of the city. The number of new dwellings built in this five-year period was only 599, plus two apartment houses—or 3.35 per cent increase of houses to cope with a ten per cent increase of population. A large percentage of these houses cost less than $1,000.00. Indeed, it is unlikely that it represents any actual increase at all, since the number of old dwellings that were abandoned, destroyed or condemned during the five-year period must equal or nearly equal the number of new houses built. The normal increase during this period should have been at least 2,000 homes.

It is significant that during the five-year period in question nearly 2,000 houses in the city, mostly of the one, two and three-roomed class, became encumbered with tax caveats and thus liable to forfeiture to the city for non-payment of taxes. This fact, together with the percentage increase of the population of the city, must be taken into calculation when considering the 1931 Census percentage of owned homes.

There has also been a marked drop in the value of city houses built in recent years. In the year 1929 the 418 homes built averaged a cost of $3,500.00 each ($1,459,800.00 in all). In the past three years when 396 houses have been built at a total cost of $565,630.00, the average cost was only $1,429.00 for each house. No fewer than 195 dwellings were built in the years 1934, 1935 and 1936 at an average cost of $442.00 per dwelling. This speaks eloquently of the home-hunger of these people who, denied the assistance of beneficial credit facilities and consequently compelled to utilize their meagre savings, entered upon the task of erecting homes for themselves and their families with less than an average of $500.00. Owing to low-rate, long-term loans not being available, Alberta home builders have been forced in recent years to build for cash. The consequence is that smaller and cheaper dwellings have been built than otherwise would have been erected—this to the detriment of the home owner and his family, the workers in the building and allied trades, the community in general and the entire Dominion.

In the year 1936 of the 203 dwellings erected at a total cost of $340,245.00—an average value of only $1,676.10 per dwelling—120 of these were of the value of $1,000.00 and upwards and the remaining 83 were of less value than $1,000.00 each.

In 1937 only 130 dwellings were erected at a total cost of $157,535.00, being an average of only $1,211.70 per dwelling. Of the total, 54 were of a value of $1,000.00 or more, and 76 were of less value than $1,000.00 each.

In the logic of circumstances, when people are compelled to build for cash, there must be a steady recession in the number and value of the dwellings erected.

It will be seen by reference to the third table of figures quoted, that the assessment roll of the city benefited in 1931 from the normal building programmes of 1929 and 1930, but suffered shrinkage after 1931. This shrinkage is, in part, due to the lack of activity in home building during recent years to offset on the assessment roll the loss through forfeiture of small homes and building lots caused by the inability of owners to meet their tax obligations. Under the present financial system *this inability of owners to meet their tax obligations is largely due to lack of profitable employment and shrinking incomes.* The almost complete cessation of building, without taking into account the general economic impotence under which the Province in common with the Dominion is labouring, places the cities of Alberta in the grip of a vicious chain of economic reactions, causing large-scale unemployment at one end, a shrinkage of municipal revenue at the other, and burdening the ratepayer with the costs of unemployment relief and the consequence of a shrinking assessment roll.

Many instances of overcrowding in the City of Edmonton could be given. Consider a condition that permits six and eight families to live together in a single-family, frame dwelling, erected thirty years ago with no increase in plumbing facilities since that time. This is not an isolated case. It is not thought necessary to elaborate on the present state of affairs. The Edmonton Tax Research Bureau, in a brief to the City of Edmonton, on "A Suggested Housing Scheme for Edmonton", dated May 1st, 1936, stated: "Based upon statistics submitted, Edmonton requires at least 5,000 new homes if it wishes to have its population 75 per cent home owners". To accomplish this objective would provide employment for the building trades for ten years on the basis of the peak year of home construction in 1929 when 418 houses were built and unemployment was practically unknown. It is estimated that at the end of ten years, due to the natural increase of population, the City of Edmonton would still have a housing shortage to the same extent as at present unless it substantially increases the number of homes constructed each year during this period.

"The large six-room dwelling is predominant in the Maritimes and Ontario, where there is least evidence of crowding, and conversely, on the prairies where three and four-room dwellings predominate, there is definite evidence of inadequate living space, particularly in rural areas. . . . Over 60 per cent of prairie rural homes contain four rooms or less, while the number of such homes in Ontario is less than 23 per cent. In Alberta and Saskatchewan

there are more rural households occupying two rooms than in any other room group. Prairie urban areas also contain proportionately more small homes and a lower percentage of large homes than is found in Eastern Canada.(1)

It will thus be seen that in Alberta and Saskatchewan farm houses as well as houses in urban areas are much smaller than those found in Eastern Canada. In any scheme providing for construction of homes, the agricultural communities of the prairies must be included. Our farmers, generally speaking, have not been able to enlarge their farm buildings or erect new buildings owing to the depression and the disabilities they suffer under the present high interest rate system and the national policy which forces them to sell their products at whatever the buyer is willing to pay and buy the goods they need at the buyer's price.

In 1930 the average occupational density in England and Wales was 0.91 per room.(2) G. W. Clarke says, "In England any community whose index figure is over 105 per 100 rooms (or 1.05) is considered to be unsatisfactory." It is interesting to note that the index figure for the entire Province of Alberta in 1931, when conditions were not so acute as to-day, is given on page 6 of "The Housing Accommodation of the Canadian People", mentioned above as 1.01, being 101 persons per hundred rooms, while for the urban population it was 1.04, being 104 persons per hundred rooms. Housing conditions in our Alberta cities are in a state which in any English industrial community would be listed as unsatisfactory.

BENEFITS FROM SYSTEMATIC HOME-BUILDING PROGRAMME

No other line of industry returns so large a portion to labour in the form of wages as does the building trade. According to a table issued by Maclean's Building Reports Limited in August, 1936, based on enquiries in the fifteen leading cities of Canada, 37.3 per cent of all money spent on house construction is paid out to men on the job.

A large portion of the remainder, varying according to the locality, is paid out for wages in the production of materials. To a considerable extent materials such as lumber, gravel, lime, cement, brick, tile and paint, can be produced in Alberta. It is estimated by contractors that not more than 25 per cent of the direct cost of buildings in Alberta leaves the Province.

The present state of affairs lowers the health and morale of the people of Alberta and is particularly disastrous in its effect

(1) Seventh Census of Canada, The Housing Accommodation of The Canadian People, Ottawa, Dominion Bureau of Statistics, 1935, pp. 3 and 8.
(2) G. W. Clarke, "The Housing of the Working Classes of Scotland", Chap. 2.

on the growing youth of the Province. Not only are they denied gainful employment and the opportunity of becoming home owners and useful citizens and heads of families, but they are denied the opportunity of learning the building and allied crafts. Youth, it seems, is doomed under the present system to roam the country aimlessly with no hope for the future. During the past five years, according to a statement issued from Ottawa, 77,000 mechanics have left Canada for Great Britain to obtain employment there under the British schemes for large-scale construction of low-cost homes. Of these, 44,000 were heads of families. An adequate home-building programme in Alberta and throughout Canada would afford an opportunity for our youth to acquire the skill of the building trades. At present there are no apprentices in these trades in the Province of Alberta because there is no work for them.

Comparisons between the heights, weights and disease resistance of children brought up in the model housing areas of Letchworth and Bournville in England, and the adjacent cities of London and Birmingham, show marked advantage in height, weight and disease-resistance for those brought up in the model housing areas over the children brought up under herd conditions of city life. The Dominion Government, which is responsible for the herding of families in the cities of Alberta by maintaining an artificial housing shortage, is making war upon the innocents in our population.

While governments profess alarm at the growth of social unrest in our midst, it is an obvious truism that nothing tends more to the growth of discontent than indigence through unemployment and the resulting forfeiture of small homes. Consider the plight of men, normally workmen with homes for which possibly they have partly paid, being suddenly thrown out of employment and finally, because of lack of employment, losing their homes through inability to pay for them. On the other hand, nothing presents a greater barrier towards the growth of social unrest than steady employment of workers and their ownership of comfortable homes. The growth of bitterness in Alberta can be traced directly to the present unsatisfactory financial policy for which the Dominion Government is responsible.

The condition of mind which is bringing many people to accept indigence through unemployment as a permanent state and adjust themselves to living in idleness on unemployment relief is, in a large measure, the consequence of the stoppage of home building. Both directly and indirectly home building is a large and remunerative source of permanent employment and social content under the natural conditions which could and should exist

in our Dominion and would have the effect of distributing much needed purchasing power.

Planned large-scale construction of low-cost homes is a recognized method of coping with the dual problems of unemployment and housing shortage in Great Britain, the European countries and the United States. Speaking at Toronto on October 14th, 1937, Hon. Vincent Massey, High Commissioner for Canada at London, is quoted in Canadian press despatches as stating:

> "Britain's rehousing plans, fruitful of 3,000,000 new houses in the past five years, is the mainspring of the business revival that has brought the nation out of depression's depths."

Dr. Edith Elmer Wood in "Recent Trends in American Housing" (MacMillan, 1931), says, page 10:

> "Post-war housing in Great Britain has extended into a movement which can only be described as a peaceful social revolution."

F. L. Ackerman, leading New York architect and authority on American housing, said, "The houses in a town and quality of life made possible in a town serve as an infallible barometer whereby we may read the state of social, physical, economic and moral development of a people." He also says, "Britain finds a return on its investment in housing which cannot be measured in terms of money. Indeed, it is highly probable that of all her vast expenditures, the homes she has provided for her workers will remain one of her few revenue producing factors after it is all over. We must realize there is a definite world movement towards the amelioration of the conditions surrounding workmen."

C. H. Whittaker, editor, American Institute of Architects Journal, says, "The home is the prime element of national growth. It is the soil from whence springs that eagerness in the heart of every man for a home of his own. It is, after all, the final attribute of life upon the possession and retention of which most of our energies are directed. Because of these things it is the imposed. This large-scale programme of state-aided house convenience and its durability one may infallibly determine the real degree of a nation's prosperity and civilization."

Much valuable information is available in "Modern Housing" by Catherine Bauer (Riverside Press, 1934), which, in a survey of European housing, sets forth a great deal of data on post-war housing in Europe. She deals with the question and quality of state aid and shows that in most cases monetary aid was supplied at cost and in some cases, at less than cost. In no case is a profit imposed. This large-scale programme one of state-aided house construction in Europe which will entail the building of from ten

million to fifteen million dwellings before the estimates of the International Labor Office are attained, marks the transition of housing as a speculative business for immediate private profits to its new conception as an essential public utility affecting the health and welfare of the nation.

An ample home-building programme would bring about a substantial reduction in unemployment in Alberta under the "1-2-1" formula worked out by British economists in connection with Britain's home-building expenditures. They calculate that for each man engaged in actual building construction two other men become wage earners by producing materials required in building, and that the extra purchases of these three when employed at gainful works, provides remunerative employment for a fourth man. The full significance of this ratio can be more fully realized when one considers the vast quantities of building materials that must be imported by Great Britain for the construction of houses whereas, on the other hand, Canada possesses an abundance of raw materials and can manufacture practically everything needed for her homes. It is reasonable to suppose that the indirect proportion of labour involved in this ratio would be greater in Canada than Great Britain due to the increase in indirect manufacturing employment created.

In addition to the curtailment of relief costs in Alberta, the Dominion Government would obtain sales tax revenue on the materials that would go into the houses, the furnishings and equipment of the houses, and on the extra expenditures workmen would be enabled to make. It would add to Dominion revenue from income tax and other sources of taxation. Taking all the facts into consideration it is surely evident that a scheme under which sufficient public credit is made available for adequate building purposes would relieve the present condition of stagnation in Canada, and the evil effects of the most vicious, debt-creating system that ever undermined the morale of a people willing and anxious to provide for themselves.

HOW EXCESSIVE INTEREST RATES RESULT IN EARLY FORECLOSURES

A significant relationship between long term building loans with low interest rates and a low foreclosure rate will be noted. The high interest rates stipulated in mortgage contracts in Western Canada have been directly responsible for many foreclosures and defaults.

The Winnipeg Housing Commission of 1919, which built 712 houses between the years 1920 and 1923, reports at the close of 1936 that only three of the properties have had to be foreclosed, making a rate of only 4/10ths of one per cent in which foreclosure

had to be resorted to. As against this, 219 loans were repaid ahead of time and the remainder were $107,260.00 ahead of requirements; while the Commission had in reserve and in its balance of profit and loss accounts a sum of $247,000.00.

This was accomplished during a stress period when 11,600 unimproved lots had reverted to the city through tax sale, and with an interest rate of five per cent.

Similarly in Belgium where 60,000 house-building loans at about three per cent were made under the Act of 1889, and 198,-000 loans under the House-building Act of 1919 at rates of from two to four per cent over a term of sixty-five years,(1) the fore-closure rate is less than two-thirds of one per cent over a period of nearly forty years.(2) How different would have been the picture had these Belgians been required to take out short term mortgages at 8 per cent and 9 per cent compounded half-yearly.

In Great Britain great care is taken to furnish funds at low rates of interest and to prevent a prospective home owner from assuming a greater burden than he can bear.

The reason is quite obvious. Where home building loans are granted at low interest rates, after the contract holder has made a first payment it is cheaper for him to continue paying his monthly instalments than to pay rent. Under the Winnipeg scheme of 1919, a purchaser had only to pay $25.60 a month to acquire in 20 years a $3,000.00 home. Taking into consideration principal, interest, insurance and taxes, it pays him to maintain the payments on his home rather than rent a similar house.

Low interest with amortized payments over a long term keep the payments within the capacity of the mortgagor to meet, and make it profitable to him to meet them on each due date. High interest, compounded periodically, with taxes to be paid separ-ately, frequently lulls the borrower till he reaches a point where the debt is beyond his capacity to pay and it becomes more profit-able to him to make default.

Reason, as well as the lesson of history, dictates the necessity for low interest rates and long terms of repayment if debts are to be met by home owners. There is less profit in high interest rates if they are attended with fear, risk, delay, adjustment, legal expense, the necessity to meet taxes and insurance and the risk and expense of foreclosure proceedings. Lenders would be better off—in many instances would be financially better off—if their funds were invested in low interest rate long term mortgages where there would be no question of their safety, than to lend at eight per cent or more where loaning is attended with uncertainty

(1) (Catherine Bauer, "Modern Housing", Appendix, pp. 287-288, Riverside Press, 1934.)
(2) Caisse Generale d'Epargne et de Retraite, Compte Rendue, 1928, p. 63.)

and risk. The question of risk is mainly a question of whether the terms of the loan make it possible and/or profitable to the borrower to repay the loan. However, as has been pointed out, private lenders—whether individuals or corporations—cannot meet the needs of the people in this important sphere of national economy. The Government of Alberta believes that if the Government of Canada makes house building loans on the basis suggested in this Chapter, namely at 2 per cent per annum with payments spread over a long period, foreclosures and defaults will become a thing of the past and the building needs of the nation can be met on an adequate scale.

SUGGESTIONS FOR REMEDIES

A systematic, large scale, low cost home building programme is a requirement for rural and urban Alberta and could be undertaken by the Province if it had control of its own credit. However, if this is denied, the Government of Canada should make available for the home building needs of the people, money on long terms at a cost not to exceed 2 per cent per annum. The authorities in charge of the administration of the scheme should prevent purchasers of homes from acquiring obligations that exceed their ability to meet comfortably. In the unlikely event that the Dominion Government finds itself unable to borrow money at 2 per cent or less and shrinks from using its powers under The Bank of Canada Act to monetize the real credit of the nation and thus make available funds for essential undertakings at low rates on long terms, then it is suggested that the provision of money for better housing at less than cost is as sound business for the Government of Canada as it is for the government of other countries, having regard to the efficiency of a home building programme as an economic stimulus.

The principle of financing production by giving bonuses and subventions to railway companies, shipping companies, iron and steel industries, the coal industry and others has been recognized by the Government of Canada. The industrial development of Canada has been assisted by imposing tariff taxation for the benefit of industries employing labour. A more effective method of stimulating trade, the sole purpose of which is to provide people with wanted goods and services, is to bonus the consumer which in the present instance would be done to a limited extent by providing money for home building. Applied to relieve Canada's housing shortage it would benefit every province in the Dominion and Western Canada in particular.

Furthermore, if this scheme is undertaken by the Dominion Government, it should advance 90 per cent of the cost of a home, instead of 80 per cent, as there are many safe prospects for a loan

who cannot put up the first payment at the present time based on 20 per cent of the cost price of a home.

From October 4th, 1930, to March 31st, 1937, the Dominion of Canada, the Government of Alberta and the municipalities of the Province expended jointly the sum of $34,567,582.75 in unemployment relief in Alberta, the Dominion contributing $12,-492,836.55. For this expenditure little return was received. Giving profitable and useful employment to a large proportion of those now in receipt of unemployment relief through a home building scheme is a far better way of alleviating relief conditions than the present dole system. Even if the Dominion Government continues to insist that it cannot make use of the credit of Canada without paying interest, it could make advances for home building at a smaller rate of interest than it would have to pay and still take care of the relief situation at less cost to the taxpayers of Canada than is the cost of the dole. By stimulating home building as a remedy for relief a very definite means of repayment for money spent is created in contrast with the present system which results in either abnormally high taxes or a colossal debt, and the undermining of the morale of our people.

Alberta presents in its condition of unemployment, excessive burden of public and private debt and shortage of homes for the decent accommodation of its people, the result of an economy that makes the credit of the nation the monopoly of profiteers instead of the well-spring of the nation, an economy that bonuses directly and/or indirectly the manufacturing interests instead of the consumers of the nation, and by high interest exaction places the most exigent of its citizenry on the rack of usury.

The Government of Alberta enlists the support of the citizens of Canada in its efforts to right the wrongs that the present Dominion Government and its chosen agents among the lending institutions have done to the people of Alberta and of the rest of Canada by denying them the benefits of necessary credit in terms of public need. While so doing, it repeats its demand that the era of usury and the intervention of private lending institutions be ended. If this is done, the Province and the municipalities of Alberta will be assisted in their task to end unemployment, raise the standard of comfort of their people, contribute to Dominion, Provincial and Municipal revenues and work out their own economic salvation.

TABLE IV.

ANALYSES OF BUILDING RETURNS FOR THE CITY OF EDMONTON, 1929 to 1937 (inclusive)

1929—

14	Public Buildings	$1,227,550
90	Commercial Bldgs.	2,478,500
1	Apartment Building	20,000
4557	Alterations	357,685
418	Dwellings	1,459,800
359	Miscellaneous	126,650
	TOTAL	$5,670,185

1930—

8	Public Buildings	$1,586,000
33	Commercial Bldgs.	480,850
6	Offices and Banks	403,490
422	Alterations	230,785
337	Dwellings	1,114,350
360	Miscellaneous	485,460
	TOTAL	$4,300.935

1931—

8	Public Buildings	$ 341,720
14	Commercial Bldgs.	88,125
3	Offices and Banks	40,300
381	Alterations	204,990
210	Dwellings	621,680
298	Miscellaneous	80,360
	TOTAL	$1,377,175

1932—

4	Public Buildings	$ 106,500
33	Commercial Bldgs.	442,455
350	Alterations	143,485
125	Dwellings	319,900
277	Miscellaneous	80,705
	TOTAL	$1,093,045

1933—

1	Public Building	$ 9,500
15	Commercial Buildings	59,300
1	Apartment Building	6,000
266	Alterations	110,575
84	Dwellings	185,600
214	Miscellaneous	57,590
	TOTAL	$428,565

1934—

23	Commercial Bldgs.	$ 73,075
287	Alterations	164,788
77	Dwellings, $1,000 and up	200,300
57	Dwellings under $1,000	22,830
122	Miscellaneous	18,115
	TOTAL	$479,108

1935—

5	Public Buildings	$260,944
1	Apartment Building	10,000
26	Commercial Buildings	64,155
363	Alterations	136,531
60	Dwellings, $1,000 and up	156,500
62	Dwellings under $1,000	28,475
134	Miscellaneous	19,930
	TOTAL	$676,535

1936—

6	Public Buildings	$ 60,940
33	Commercial Bldgs.	491,450
410	Alterations	154,350
54	Dwellings, $1,000 and up	123,000
76	Dwellings under $1,000	34,535
163	Miscellaneous	31,165
	TOTAL	$895.440

1937—

5	Public Buildings	$138,440
19	Commercial Buildings	61,850
1	Apartment Building	9,800
544	Alterations and Repairs	282,585
120	Dwellings, $1,000 and up	303,830
83	Dwellings under $1,000	36,415
136	Miscellaneous	32,640
	TOTAL	$865,560

TABLE V.

REPORT ON THE CONSTRUCTION INDUSTRIES OF CANADA, 1936
DOMINION BUREAU OF STATISTICS

	New Construction	Alterations, Maintenance and Repairs	Total Value
Canada—			
1935	$140,988,228	$74,560,645	$215,548,873
1936	170,645,824	87,394,576	258,040,400
Prince Edward Island—			
1935	824,234	365,796	1,190,030
1936	530,297	285,844	816,141
Nova Scotia—			
1935	10,706,324	4,950,974	15,657,298
1936	10,234,246	5,200,049	15,434,295
New Brunswick—			
1935	7,048,130	2,940,210	9,988,340
1936	8,808,421	3,173,832	11,982,253
Quebec—			
1935	35,036.857	23,272,972	58,309,829
1936	41,688,162	26,213,925	67,902,087
Ontario—			
1935	60,801,203	30,047,738	90,848,941
1936	73,637,767	34,622,666	108,260,433
Manitoba—			
1935	7,150,267	3,323,366	10,473,633
1936	8,654,638	4,274,384	12,929,022
Saskatchewan—			
1935	2,930,993	2,130,361	5,061,354
1936	4.965,053	3,349,615	8,314,668
Alberta—			
1935	7,536,512	2,646,810	10,183,322
1936	5,287,648	4,324,212	9,611,860
British Columbia—			
1935	8,953,708	4,882,418	13,836,126
1936	16,839,592	5,950,049	22,789.641

CHAPTER XV.

Public Finance and Taxation

The whole subject of public finance is bound up with that of the monetary system. The principle problems confronting all governments are the problems of an ever mounting debt structure and of the necessity to secure an increasing revenue to meet the continually growing need for social services. These are due to the vicious results of economic degeneration which in turn are due to a discredited and defective monetary system.

It is a feature of the system, operated at present the world over, that as a nation, a province or a state becomes wealthier in a real sense, that is in its ability to produce, so its people become more and more financially impotent, public debts pyramid and taxation increases. The increased ability to produce is not reflected in the purchasing power of the people. In fact, purchasing power relatively decreases, leading to economic impotence. Unemployment, increasing indigence, and health degeneration due to worry and poverty, are the outstanding features of every economically wealthy country. They are the fruits of the present social order and are due to a fundamentally defective financial system. Faced with such a situation, governments are driven to provide increasing social services, which results in increased taxation.

As it is a feature of the present system that governments shall obtain their revenues from taxation, and as taxation renders the individual citizen less secure to the extent that it reduces his purchasing power, it merely aggravates the situation. Therefore, rather than attempt to operate within the limits of tax revenue, governments are driven to borrowing. This, however, merely eases their plight temporarily—for the increased debt leads to increased taxation to meet interest and sinking fund payments. This in turn leads to the need for further borrowing, and so the situation becomes more and more intolerable for the people—and increasingly difficult for their governments.

It is against such a background that the subject of public finance should be reviewed. However, this aspect of the matter is examined in Part II of this Brief and in this chapter it is proposed only to consider the finances of the Province within the orthodox frame of reference.

The financial affairs of the Province have been subjected to an unusual amount of critical examination in the past two years. In 1936 there was an investigation at the instance of the Alberta bondholders committee for which the Government provided every facility. In the following year an investigation was made by the Bank of Canada at the request of the Government of Alberta following similar inquiries by that institution into the affairs of Manitoba and Saskatchewan. Both reports are available to the public.

It is proposed to consider the public finances of the Province in the light of the Bank of Canada's report. The report to the bondholders committee can be rejected with but passing comment, for not only has it been widely challenged, but it is completely answered by the facts brought out in this chapter and in the chapter on Dominion monetary policy.

In taking the Bank of Canada's report as the basis for this review of provincial finances, the Government does not concede to that institution any right to sit in judgment on Alberta. Far from it having any such right, it is the Bank of Canada which must take its place in the prisoner's dock for trial before the court of public opinion. The disastrous results accruing from the operation of the present financial system are the responsibility of the administrators ultimately responsible for financial policy. The Bank of Canada is, therefore, responsible and any strictures in regard to the financial consequences of that institution's administration must be directed to that quarter. This will be more apparent after a careful study of the entire Brief and in particular the chapters on Public Finance and Monetary Policy taken in conjunction with Part II.

The Government of Alberta considers that the report of the Bank of Canada was unfair to the Province and discriminatory in concluding that it could not recommend that the same temporary financial assistance be given this Province by the Dominion as it recommended should be given to Manitoba and Saskatchewan, for the sole reason that this Province had reduced the rate of interest payable on its public debt. In the meantime, however, the following comment from the concluding pages of the report is significant and of importance in any consideration of the present financial position of the Province and the problems which confront it in the next few years:

"We are of the opinion that the scale of taxation in Alberta in 1937-1938 will be approximately the same as in the other prairie provinces, and we are not prepared to say that any further increase in taxation would be practical or desirable under existing conditions . . . As in the case of

the provinces of Manitoba and Saskatchewan, we are prepared to say that expenditures could not be kept down to the low point of the depression years and that some increases were inevitable."(1)

Again the following comment from the concluding part of the report should be noted:

> "If Alberta were now paying full interest on its obligations, the Province in 1937-38 would presumably have to borrow its full share of unemployment relief from the Dominion, and on the basis of budgetary estimates (not including debt retirement) would have a cash shortage of about $600,000. Its position would be a little worse than that of Manitoba, but distinctly better than that of Saskatchewan; and a claim for assistance would, no doubt, be considered in the light of these facts."(2)

For the purpose of its survey of the financial history of the Province, the report of the Bank of Canada divides the lifetime of the Province into three periods, the first being the years from 1905 to 1922; the second from 1922 to the fiscal year ending 1930; and the final period from 1930 to the present time.

PERIOD 1905—1922

As already observed, the report of the Bank of Canada makes some startling statements in its references to the financial record of the Province during these early years. It states:

> "The roots of many of Alberta's present problems were developed during this period. Only the exceptionally rapid economic progress of the time can account for the fact that extravagant governmental expenditures, direct and indirect, were allowed to proceed on such a scale and to last so long as they did.
>
> "Almost immediately after the formation of the Province, ambitious telephone and railway policies were launched. Poor judgment, loose administration and over-expansion were to make both utility ventures costly."(3)

In support of these statements, the report recites, in the order named, the fact that Alberta was the first Canadian government to enter the telephone business; the guarantees given by the Province for railway construction, more particularly the guarantee to Alberta and Great Waterways Railway Company; guarantees given in connection with The Live Stock Encouragement Act, The Co-operative Rural Credit Act and various Seed Grain and Relief Acts; the irrigation policy inaugurated just prior to the close of this period beginning with the guarantee of bonds of the Lethbridge Northern Irrigation District in 1921 amounting to $5,400,000; and the unwillingness of the Province to

(1) Bank of Canada Report, Alberta Section, p. 37.
(2) Ibid., p. 41.
(3) Bank of Canada Report, Alberta Section, p. 4.

adopt an adequate scheme of taxation resulting in numerous deficits on income account. Reference is also made to the highway expenditures in this period and the inauguration of the Savings Certificate Scheme in 1917.

Opinions may differ as to the extent to which this criticism is justified, but there is no doubt whatever that, in the words of the report, "the roots of many of Alberta's present problems were developed in this period." It may be admitted also that some of the policies inaugurated during that period were unfortunate. On the other hand, a similar study of the record of every government in Canada during the same period, including that of the Dominion, would disclose policies that from the viewpoint of to-day would seem improvident and apparently extravagant. One has only to examine the encouragement given by the Dominion to the promotion and construction of the transcontinental railways to find a parallel.

In earlier chapters an attempt has been made to place some of the problems of, and commitments then made by, the government in proper perspective. The following brief summary of the arguments advanced therein may be in order:

1. The increase in population prior to, and during this period was phenomenal. In the five years from 1901 to 1906, the population increased by 154 per cent, and from 1906 to 1911 by 102 per cent. From 1901 to 1906 the number of farms increased from 9,479 to 30,286 or 219 per cent, and field crops increased by 386 per cent. While this rate of growth subsided somewhat in the following years it, nevertheless, continued to be rapid until the advent of the depression years.

2. Land settlement was not controlled but on the contrary, the homestead policy of the Dominion combined with the large grants of land made by that Government to railway companies and the Hudson's Bay Company and the right of selection of those lands subsequently given those companies resulted in a widespread dispersion of settlement. This, in itself, gave rise to heavy demands for public services, particularly highway and railway facilities.

3. The very rapidity of settlement and the immensity of the occupied area prevented that gradual development of public services which took place in the older provinces and magnified the problem of providing them. Both Provincial and Municipal Governments were no doubt encouraged to resort to borrowing to provide a standard of service reasonably in keeping with the requirements of a modern community to a greater extent than would otherwise have been the case.

4. The period was one of rapid railway expansions throughout Canada. Cash subsidies had been given freely to private railway enterprises by the Dominion Government for the construction of transcontinental and branch lines, while the policy of provincial assistance to expedite railway construction was common among the provinces. In giving guarantees to assist railway development in the Province, Alberta followed policies general at the time. Unlike the older provinces, Alberta received no assistance whatsoever from the Dominion in connection with these guarantees. The three provincial lines which caused such a heavy loss to the Province were all considered necessary at the time, and they have performed a good service in opening up the country. Just why, for example, the Province should bear unassisted the loss arising from the early construction of the Edmonton, Dunvegan and British Columbia Railway which afforded transportation facilities to a territory already being rapidly settled under the Dominion homestead policy and a territory which has since witnessed such rapid expansion, is difficult indeed to understand.

5. Settlers were permitted, under the homestead policy, to take up land in the south-eastern part of the Province which, according to all available records, was known to be subject to drought conditions and which subsequent years have proven to be sub-marginal for that reason. The demand for irrigation was encouraged by the irrigation officials at Ottawa. The Province was persuaded to guarantee the bonds of the Lethbridge Northern Irrigation project. While this project has proven fairly successful in meeting the drought conditions in that area, a heavy loss has been sustained by the Province which has contributed largely to the capital debt.

6. In the construction and operation of a public telephone system the Government endeavoured to provide communication facilities to settlers spread over a wide area. This service admittedly had to be provided in some way.

The period 1905-1922 may be considered as essentially a pioneer period. Provision had to be made for public buildings; for the opening up of roads; the building of bridges and ferries as well as for such essential services as hospitalization and education. As shown by the comparative statement of expenditure on income account hereinafter appearing (Table V), total expenditures on income account for the fiscal year ending December 31st, 1921, had reached the sum of $10,605,156 made up as follows:

Debt Charges	$1,939,635
Education	2,549,850
Legislation	511,826
General Government	1,316,570
Miscellaneous	24,506
Administration of Justice	1,264,220
Agriculture	499,743
Public Domain Research and Development	125,171
Public Welfare, Institutions and Charitable Grants	1,368,123
Highways, Bridges and Ferries	838,702
Commissions and Fines paid to Municipalities	166,810

It will be observed that although public debt charges were large, accounting for over 18 per cent of the entire annual expenditure, the remaining items were for the ordinary requirements of provincial governments. Demands for social services were just emerging at the close of this period.

Two facts have to be admitted with respect to this period: Firstly, that while the public accounts for each of the first four years since the inception of the Province showed a surplus, in the years from 1908 to 1922 (inclusive), only four years presented favourable balances. Substantial deficits occurred in the years 1921 and 1922 which may be partially explained by the fact that they were depression years, and revenue may have been less for that reason than had been anticipated.

Secondly, that the public debt of Alberta, direct and indirect, by the end of 1922 was approximately 50 per cent larger than that of Manitoba and more than twice as large as that of Saskatchewan, although the latter Province had a population 30 per cent larger than Alberta. At the end of 1922, the gross funded and unfunded debt and contingent liabilities was 104 millions, less cash and securities, sinking funds and school lands funds totalling nine million dollars, leaving a balance of 95 million dollars. A reference to the comparative statement of capital debt hereinafter appearing (Table II) shows that at the end of 1921 the net general debt and contingent liabilities amounted to $70,777,000. The extent to which financial commitments had then been made, which subsequently proved such a serious financial problem for the Province, may be indicated by the following items forming part of the net general debt and contingent liabilities at the end of that year.

Expenditures for Railways	$ 9,633,000
Railway Guarantees	17,094,000
Lethbridge Northern Guarantees	5,400,000
Miscellaneous Guarantees	3,914,000
Advances to Income Account	5,010,000
Deferred Charges and Capital Losses	1,599,000
Total	$42,650,000

In addition the investment in the Government telephone system was then carried, at cost, at the sum of $20,185,000. It will thus be seen that a situation had already been created which

was to account for a very substantial portion of the capital losses subsequently sustained by the Province. It is also interesting to note that by the end of that year expenditure on roads, bridges and ferries had accounted for $9,316,000 and public buildings and miscellaneous public works for $10,732,000. The construction of the University plant had also been completed at a cost of nearly $5,000,000.

PERIOD 1922—1930

This period was characterized by a few years of consolidation during the depression years of the early 20's followed by an expansion programme during the years of remarkable progress from 1925 to the early part of 1930. The Bank of Canada report makes the following comment on this period:

> "Following the sharp depression of 1921, the Alberta economy experienced several years of indifferent progress, with actual recession occurring in some fields. This was a new experience for the Province. The Government met the situation by reducing the somewhat inflated general expenditures, and by curtailing capital expansion. For three consecutive years, expenditures, with the exception of public debt charges, were reduced on every service. The total reduction in controllable ordinary expenditures between 1921 and 1925 was one million dollars, but the previous commitments in connection with the telephone system, the railway guarantees, the University guarantees, the irrigation districts, and the 1919-21 seed loan and other agricultural loan guarantees, added nearly two million dollars to the annual fixed charges in the same period.
>
> "The former policy of financing by guarantees was discontinued entirely in the case of relief, seed, and live stock loans, on which heavy losses had been suffered, and in connection with which there had been many abuses. Small additional guarantees were made for irrigation districts and rural co-operative credit societies. The guaranteed University bonds were refunded with direct Provincial obligations which could be sold on more favourable terms . . ."
>
> "An effort was also made in 1922 to increase revenues by raising amusement, corporation and mine owners' taxes, and by imposing a gasoline tax of two cents a gallon. An income tax was then considered also, but no action was taken."(1)

The chief criticism, made by the report, of the financial policy of the Government during this period seems to be that during the prosperous years from 1925 to 1929, when both gross and net values of agricultural production were from two to three times their values in 1921 and 1922, sufficient taxation was not levied to recover some of the losses of earlier years. The report states:

(1) Bank of Canada Report, Alberta Section, pp. 10 and 11.

"Total provincial taxation of all kinds, excluding the Gasoline Tax, was less per capita in 1929 than in 1921. The Province could scarcely have expected a more favourable opportunity than that presented in the years 1925-29 to recoup itself from the rural areas for some of the large expenditures made on them. The opportunity was allowed to pass and no reduction in the dead weight debt took place."(1)

This criticism is again stated in the following words:

"To summarize the position at the end of the 1929-30 fiscal year, on the brink of the depression, the Province had succeeded, through the remarkably advantageous sale of its railways, in bringing its net debt down to the figures of 1922. But as we have previously noted, the 1922 position was a most unsatisfactory one, and the opportunity had not been taken in the years of prosperity to retire any portion of the net debt. It is true that the mere maintenance of its position, judged by standards then prevailing, was a creditable fact, but the 1922 position had been so unfavourable in itself and so seriously out of line with that in other provinces that there is little excuse for the failure to take more determined steps to correct it."(2)

Little is to be gained by debating the fairness or practicability of this criticism. There will be those in the Province who will challenge the suggestion that during a temporary period of high prices the agricultural section of the Province should be taxed more heavily for the purpose of recouping losses sustained in an earlier period of the history of the Province, particularly having regard to the amount of land tax which agriculture must bear in good times and in bad. Even accepting the criticism as a fair one it is difficult to estimate by how much the losses incurred by the Province in previous years could have been reduced in the years of high prices from 1925 to 1928 by any reasonable measure of taxation.

In this period the net public debt did not change substantially as shown by the following figures:

TABLE I.
CAPITAL DEBT—1922-1930(3)
(In millions of dollars)

	31st December			31st March		
	1922	1925	1926	1928	1929	1930
Total Debt	102	115	120	125	127	117
Active Assets	27	29	27	29	29	43
Total Net Debt	75	86	93	96	98	74

(1) Bank of Canada Report, Alberta Section, p. 12.
(2) Ibid.
(3) Bank of Canada Report, Alberta Section, p. 15.

Although by the end of the fiscal year, March 31st, 1931, the Province had experienced in a very drastic way the effect of the depression and the disastrous decline in the prices of farm products, a comparison of the fiscal position of the Province at that time with the position in 1921 is of interest as indicating the change that had taken place in the ten-year period. An examination of the comparative statement of capital debt given in Table II herein will indicate that the net funded debt had increased during that period from $57,464,000 to $111,509,000, while the net funded and unfunded debt had increased from $61,665,000 to $117,070,000. On the other hand the net general debt and contingent liabilities had only increased from $70,777,000 to $90,182,000. This is largely explained by the fact that in 1928 the Lacombe and Northwestern Railway was sold to the Canadian Pacific Railway Company for $1,500,000 in cash with the purchaser assuming the guaranteed obligation of approximately $270,000, while the following year the remaining provincial railway properties were sold to the two transcontinental railway systems jointly on terms of purchase involving a payment of $15,580,000 in cash to the Province, payable in three instalments in 1929, 1933 and 1939. In addition, the purchasers assumed $9,420,000 of Provincial guarantees leaving the Province with only $7,400,000 guaranteed securities on the Alberta and Great Waterways Railway. The adjustment of accounts which followed these sales resulted in a reduction of the contingent liabilities, but the adjustment of the loss had the effect of substantially increasing the net funded and unfunded debt.

Other items of interest in this comparison are:

(1) The increase in expenditure on roads, bridges and ferries of nearly $19,000,000.

(2) The increase in expenditures for public buildings and miscellaneous public works of over $6,000,000.

(3) The appearance of losses in connection with the Lethbridge Northern Irrigation District amounting at that time to $3,200,000.

(4) The increase in deferred charges and capital losses amounting to over $11,000,000, and

(5) Increase in advances to income account, largely due to the deficit in the fiscal year 1931, of $3,000,000.

It should also be noted that during this period the greater part of the capital debt of the University of Alberta, amounting to approximately $3,500,000, was transferred from contingent liabilities to direct debt, the bonds which had previously been guaranteed only having been renewed during this period as a direct liability with a consequent reduction in interest rates.

A reference to the comparative statement of expenditure (Table V) shows that, as at the 31st of March, 1931, total expenditure on income account alone had increased in the ten-year period to $18,017,543 as contrasted with $10,605,156 at the end of 1921. This increase is accounted for by the fact that debt charges had increased from $1,939,000 to $5,782,000; expenditure for education had increased by about $500,000; for highways and bridges by about $700,000; for agriculture by approximately $300,000; while public welfare cost had increased from $1,368,000 to $3,300,000. The demands for increased governmental services were now becoming a serious factor in the annual budget of the Province.

FISCAL YEARS, 1930-1937

This period includes the years of the depression, followed by a partial recovery from 1935 to 1937. The effect of the depression is seen in very heavy deficits for a number of years in all of the provinces of Canada as well as in the budget of the Dominion. Between the fiscal years ending March 31st, 1930, and 1932, the revenues of the Province dropped by approximately $4,000,000 or by 25 per cent. This was mainly accounted for by a decline of $500,000 in the supplementary revenue tax; an equal amount in each of the following sources of revenue, succession duties, automobile licenses, telephone earnings; $1,000,000 in liquor profits and approximately $250,000 in gasoline tax. At the same time interest and exchange requirements increased expenditures by approximately $1,750,000, and old age pensions and highway maintenance by about $750,000. In the fiscal year ending March 31st, 1932, the deficit on income account amounted to $5,153,000.

In the subsequent fiscal year expenditures were greatly reduced and an effort made to increase revenues. Increases were made in automobile licenses and in amusement taxes. Corporation taxes were increased by a special levy of 10 per cent. Succession duties were raised and the exemptions narrowed. An income tax was introduced, levied on incomes commencing at $750.00 for a single person and $1,500.00 for a married person. This tax was subsuquently raised in the higher brackets.

In spite of these changes, however, substantial deficits continued to be incurred. In the year ending March 31st, 1937, by reducing interest charges and doing away with sinking fund requirements, a surplus of approximately $77,000 was shown. The total deficits for the whole of this period amounted to $14,800,000.

During this period a number of special problems confronted the Government, the most important of which were as follows:

1. The financial difficulties of the Alberta Wheat Pool in 1929 and 1930 became so acute that the Provincial Government finally came to its assistance to protect the large investment that had been made in its country elevator system by approximately 40,000 farmers in the Province. Rightly or wrongly, it was also felt that the failure of the three Wheat Pools of Western Canada might result in a further decline in the very low levels that had been reached in wheat prices. The three Governments of Alberta, Saskatchewan and Manitoba, entered into guarantees to the banks, securing them against loss with respect to their loans to the Pools in the respective provinces. The guarantee given by Alberta was approximately $5,600,000. The Government took security on all the assets of the Alberta Wheat Pool and, as the value of these assets is now more than twice the amount of the liability under the Provincial guarantee, a self-supporting asset has been created which should be set off against this increase in the public debt. The Alberta Wheat Pool has made all the annual payments required by this security since this guarantee was given.

2. Following the Barker report on the Provincial Telephone System it was decided to sell the rural lines at practically scrap value and the capital loss thus sustained, amounting to over $8,650,000, is reflected in the public debt of the Province.

3. As shown in a previous chapter, following the report of a commission of inquiry under the chairmanship of the Honourable Mr. Justice Ewing, the Government was obliged to write off further land charges in the Lethbridge Northern Irrigation District, resulting in a final adjustment of these charges to approximately one-third of the original liability. This involved a further capital loss as shown in a previous chapter.

4. The most serious problem, however, as in the other provinces of Canada, is represented by the burden of unemployment and agricultural relief arising from general unemployment during the depression years and the drought conditions which prevailed in the south-eastern part of the Province. The magnitude of this latter burden is set out in a previous chapter. The Province was obliged, until the fiscal year 1937, to borrow the greater part of the expenditure for this purpose from the Dominion Government and the provincial share of this burden, including loans to the cities of Edmonton, Calgary and Lethbridge amounting to $2,660,860.59, is represented by treasury bills issued to the Dominion of Canada.

5. In the two fiscal years 1931 and 1932 the Province was faced with the necessity of refunding certain maturing bond issues and to meet other current obligations. The Bank of Canada report refers to the problem in the following words:

> "In the fiscal years 1931 and 1932 the Province sold $30,000,000 of securities in order to finance its current deficits and capital programme, and, in addition, had to refund $31,000,000 of maturing obligations. Two-thirds of the $61,000,000 total was marketed in the second year, and much of it had to be placed at disadvantageous rates, in two cases as high as 6¾ per cent."

This statement is not correct. The market at that time was unfavourable to the reception of bonds of any province of Canada and particularly the western provinces. Instead of calling for tenders the Province adopted the expedient of negotiating certain sales through the medium of a fiscal agency and did succeed in meeting some of its maturities by new bond issues negotiated through that medium. The rates of interest were higher on all these issues than the Province is able to pay and it is true that on one issue the rate was as high as 6¾ per cent. The total amount involved, however, was not as high as set out in this statement as the following table will show.

SUMMARY OF LOAN TRANSACTIONS FOR THE FISCAL YEARS 1930-31 and 1931-32

	1930-31	1931-32
1. Short and long term debentures marketed either by private tender or under fiscal agency plan	$ 3,000,000.00	$19,193,000.00
2. Treasury bills negotiated by restrictive tender or under fiscal agency plan	14,935,000.00	
3. Wheat Pool Loan		5,649,000.00
4. Treasury bills negotiated with banks as temporary measure to meet maturing debentures and redemption of Savings Certificates (afterwards bonded)		3,959,115.44
5. Treasury Bills refunding Savings Certificates		500,000.00
6. Treasury Bills given as security to Dominion Government for advances to meet maturing obligations of principal and interest, and for unemployment relief		4,142,000.00
7. Absorbed internally by Government Investment funds	1,000,000.00	
	$18,935,000.00	$33,843,115.44

It will be observed from the above table that part of the transactions were represented by the liquidation of the guarantee of the Wheat Pool amounting to $5,649,000.00. The rate of interest on this transaction was low while other items simply involved the issuing of treasury bills some of which were taken care of internally. This table shows the true nature of these transactions.

PUBLIC DEBT (March 31, 1937)

The net funded and unfunded debt as at March 31st, 1937, amounted to $158,731,000, an increase of $650,000 over the preceding year. The net general debt was $129,278,000; contingent liabilities amounted to $7,796,000; thus making the net

TABLE II.
COMPARATIVE STATEMENT OF CAPITAL DEBT
For the Years Ended December 31st, 1921, and March 31st, 1931, 1935, 1936 and 1937.

Particulars	December 31	March 31			
	1921	1931	1935	1936	1937
Funded debt, bonds and debentures	$ 59,010,000	$116,802,000	$146,048,000	$153,567,000	$154,887,000
Less: Sinking funds	1,546,000	5,293,000	9,925,000	10,626,000	11,400,000
Net funded debt	$ 57,464,000	$111,509,000	$136,123,000	$142,941,000	$143,487,000
Unfunded debt: Savings certificates	$ 3,687,000	$ 10,976,000	$ 10,874,000	$ 9,286,000	$ 8,147,000
Temporary loans	2,000,000	....	4,200,000	5,700,000	5,700,000
Superannuation fund	....	1,285,000	2,105,000	2,234,000	2,375,000
Miscellaneous liabilities	150,000	664,000	602,000	1,194,000	830,000
	$ 5,837,000	$ 12,925,000	$ 17,781,000	$ 18,414,000	$ 17,052,000
Less: Cash and investments	1,636,000	7,364,000	3,295,000	3,274,000	1,808,000
Net unfunded debt	$ 4,201,000	$ 5,561,000	$ 14,486,000	$ 15,140,000	$ 15,244,000
Net funded and unfunded debt	$ 61,665,000	$117,070,000	$150,609,000	$158,081,000	$158,731,000
Realizable or income-producing assets:					
Railways, balance owing by Canadian Pacific and Canadian National Railways	....	$ 10,580,000	$ 5,580,000	$ 5,580,000	$ 5,580,000
Alberta Wheat Pool loans (net)	....	....	5,201,000	4,977,000	4,788,000
*Alberta Government Telephones (at cost)	$ 20,185,000	24,878,000	16,282,000	16,163,000	15,863,000
Working advances (net assets)	148,000	1,358,000	573,000	486,000	487,000
Loans to cities	....	....	2,211,000	2,661,000	2,661,000
Miscellaneous	963,000	646,000	348,000	320,000	74,000
	$ 21,296,000	$ 37,462,000	$ 30,195,000	$ 30,187,000	$ 29,453,000
Net general debt	$ 40,369,000	$ 79,608,000	$120,414,000	$127,894,000	$129,278,000

TABLE II—*Continued*

Particulars	December 31	March 31			
	1921	1931	1935	1936	1937
Represented by expenditure on:					
General assets:					
Roads, bridges and ferries	$ 9,316,000	$ 28,167,000	$ 34,126,000	$ 35,861,000	$ 37,026,000
Public buildings and miscellaneous public works	10,732,000	17,133,000	18,123,000	18,236,000	18,305,000
Railways	9,633,000	....	....	....	....
University of Alberta	302,000	4,413,000	4,404,000	4,389,000	4,822,000
University Hospital	....	378,000	463,000	463,000	463,000
Lethbridge Northern Irrigation District	....	3,207,000	5,537,000	6,103,000	6,411,000
Miscellaneous	183,000	400,000	773,000	1,479,000	708,000
	$ 30,166,000	$ 53,698,000	$ 63,426,000	$ 66,531,000	$ 67,735,000
Loans and advances, partially secured	3,594,000	5,228,000	7,115,000	8,489,000	8,521,000
Deferred charges and capital losses, less capital surplus and reserves	1,599,000	12,775,000	30,266,000	31,824,000	32,238,000
Advances to income account	5,010,000	7,907,000	19,607,000	21,050,000	20,784,000
	$ 40,369,000	$ 79,608,000	$120,414,000	$127,894,000	$129,278,000
Contingent liabilities:					
Railways	$ 17,094,000	....	....	....	....
University of Alberta	4,000,000	$ 450,000	$ 450,000	$ 450,000	....
Irrigation and drainage districts' debentures	5,400,000	6,345,000	5,469,000	5,222,000	$ 5,166,000
Miscellaneous	3,914,000	3,779,000	3,117,000	2,882,000	2,630,000
	$ 30,408,000	$ 10,574,000	$ 9,036,000	$ 8,554,000	$ 7,796,000
Net general debt and contingent liabilities	$ 70,777,000	$ 90,182,000	$129,450,000	$136,448,000	$137,074,000

* Effective March 31st, 1935, the investment in Alberta Government Telephones was adjusted in accordance with the recommendations of the "Barker" report.

Edmonton, August 23rd, 1937.

The above information has been assembled, under my direction, from the Public Accounts of the Province, and, in my opinion, correctly sets forth capital debt for the years stated.

CHAS. M. LANG, C.A., *Acting Provincial Auditor.*

general debt and contingent liabilities $137,074,000. Table II is a comparative statement of public debt for the years ending December 31st, 1921, and March 31st, 1931, 1935, 1936 and 1937, as taken from the public accounts, 1937.

An analysis of this Table will show that of the net funded and unfunded debt, amounting to $158,731,000 in the fiscal year ended March 31, 1937, the sum of $29,453,000 is represented by realizable and self-supporting assets. The items making up this sum are:

Balance owing on Railways	$ 5,580,000
Alberta Wheat Pool loans (net)	4,788,000
Alberta Government Telephones, at cost based on Barker report	15,863,000
Working advances (net assets)	487,000
Loans to cities	2,661,100
Miscellaneous	74,000
Total	$29,453,100

In addition to the above, the Alberta Commission on Natural Resources awarded the Province the sum of approximately $5,000,000 and interest as compensation for resources alienated during the time these were administered by the Dominion. While this award has not been finally accepted by the Province, it would appear that at least that amount will be finally realized and will reduce the net general debt.

In view of the explanations already made in preceding pages it is not felt that further comment on this table is necessary, other than to point out that the investment on roads, bridges and ferries shows an increase of over $27,700,000 since the year 1921. The larger part of this increase has occurred since the year 1924 when the Province decided to take advantage of the allotment under the Canada Highways Act, and commenced the construction of a modern standard main highway system. The problem of main highway construction in this Province has been fully discussed in the Chapter on Highways, and the urgent need for further large expenditures to maintain and preserve the all-weather roads for the benefit of the agricultural areas of the Province and to provide access to the national parks is therein set forth.

Reference might also be made to the expenditure for public buildings and miscellaneous public works. The portion of the capital debt represented by this item increased from $10,732,000 in 1921 to $18,305,000 in 1937. It is submitted that no extravagance can be shown in the public buildings of the Province. The central administrative buildings are not unduly elaborate nor are the various court houses in the Province and other administrative units unduly large or pretentious. Neither can any fault be found with the buildings that have been constructed for

such public services as education or public health. In fact, as shown in a previous section, the housing for the care of the insane and mentally deficient is quite inadequate and a definite programme of expansion in the next few years is inevitable. The Bank of Canada report acknowledges that "there is unquestionably pressing need for some expansion in expenditures for the care of the insane and seriously ill".(1)

PUBLIC EXPENDITURE

In previous Chapters reference has been made to the growing demands made upon modern governments. Here this trend will be analyzed more fully.

Federal and provincial expenditure expanded at about the same rate for many years after 1867. Thus ordinary expenditure of the Federal Government rose from $5.90 per capita in 1881 to $8.72 in 1901—an increase of 48 per cent;(2) that of all Provincial Governments from $1.89 per capita to $2.63—an increase of 39 per cent. During the next decade both the Federal

TABLE III.
PER CAPITA ORDINARY EXPENDITURE

	1881	1891	1901	1911
Federal	$5.90	$7.52	$8.72	$12.18
Provincial	1.89	2.41	2.63	5.29

Government and the Provincial Governments increased expenditures rapidly, but the relative increase was greater for the Provincial Governments. Yet it is broadly true that until the outbreak of the war both provincial and federal expenditures had grown at about the same rate, and the distribution of functions and fiscal resources between the governments appeared to be in balance.

During the post-war decade the trend of federal expenditure and debt was slightly downward; but, as the following table shows, the trend of provincial expenditure and debt was sharply upward.

An examination of the Provincial accounts of 1868 and those for a generation thereafter indicates that governments restricted themselves to a very limited number of functions. When Alberta became a Province in 1905 little change in attitude had taken place. Outlays were restricted largely to cover expenses for legislation, administration of laws (including justice), roads

(1) Bank of Canada Report, Alberta Section, p. 28.
(2) See J. A. Maxwell, "Federal Subsidies to the Provincial Governments in Canada", p. 238.

TABLE IV.

FEDERAL AND PROVINCIAL ORDINARY EXPENDITURE AND DEBT
(Per Capita)

	1919	1929	1933
Ordinary Expenditure:			
Federal	$ 35.51	$ 35.06	$ 33.60
Provincial	9.19	17.70	18.75
Bonded Debt and Treasury Bills:			
Federal	312.00	224.00	261.00
Provincial	37.00	90.00	117.00

and bridges, small grants to education and some aid to agriculture.[1] The social services, which now bulk so large, absorbed virtually no revenue. In 1912, for example, the per capita expenditure on income account was only $8.00 and on capital account $4.00.

In the course of time the construction of additional buildings, roads and bridges was financed largely by borrowings, and the debt service began to bulk large in annual costs. By 1916 the Province had a debt of nearly $30,000,000 and annual interest charges of nearly $1,000,000, or about $2.00 per capita. The debt incurred for public works including buildings, roads, bridges, railways, irrigation projects, telephones and for ordinary expenditures continued to mount until the net general debt reached in 1937 a total of about 129 million dollars, or $169 per capita, and an annual debt charge of about $10 per capita. The debt service absorbed over 40 per cent of the ordinary revenue in 1936.

Not all governmental functions have been expanding at an equal rate; indeed, some of them are becoming of relatively less importance, while the greatest expansion has been taking place in essentially new fields of activity. From 1921 to 1936 the per capita cost of legislation was reduced from 87 cents to 46 cents. The per capita cost of operating the general government has remained stationary, but is now responsible for only about 8 per cent of the total expenditure as opposed to 20 per cent in 1916 and 13 per cent of the expenditure in 1921. The administration of justice was responsible for about 14 per cent of the expenditure in 1916 and is now responsible for 4 per cent, the per capita cost having declined by 30 per cent. Expenditure on agriculture, research and development has remained fairly stationary in the past two decades, both on a per capita basis and as a percentage of total expenditure, although it is somewhat less than a decade ago. Roughly the same may be said for highways since 1921. The annual expenditure on education rose from $2.27 per capita

(1) See Public Accounts, 1906, p. 86.

in 1916 to about $3.00 in the period after 1931, but the drain on provincial revenue for education has declined relatively since 1921.

Thus it may be seen that since 1916 the following items of expenditure have absorbed a decreasing proportion of the revenue: Legislation, general government, justice, agriculture, research, development, highways and education, as indicated in Table V. The per capita expenditures on debt, health and public welfare have increased. The items which have increased most rapidly in the last twenty years, however, are public health and welfare. Indeed, expenditures for this function rose from 70 cents per capita in 1916 to $11.57 in 1937, or from 6.9 per cent of the total expenditure in 1916 to 23 per cent in 1936. In 1919 Alberta spent about $20,000 in mothers' aid. Within two years the figure had mounted by 400 per cent, and has been steadily increasing ever since. In 1936 more than $508,000 were spent on this item alone.(1) Old age pensions were established in 1929 in Alberta, with the Dominion paying half the cost, the Dominion share being raised to 75 per cent in 1931. Health, sanitation, hospitals, charities and correctional institutions have all been absorbing ever larger amounts of revenue and a growing proportion of the total receipts. During the depression beginning in 1930 the problem of relief and the burden of resettlement of the people from the dried-out areas have imposed other inescapable costs on the Government of Alberta, as well as on the Dominion.

Table V is a comparative statement of gross expenditure on income account for the years ending December 31st, 1921, and March 31st, 1931, 1935, 1936 and 1937. This statement appears in the Public Accounts of the Province for the fiscal year 1936 and 1937 at page 96. It shows at a glance the trend followed in the expenditure of the Province since 1921 by appropriate divisions.

Dealing particularly with the fiscal year ending March 31st, 1937, the following observations may be made: The item Debt Charges appears as $4,460,447, as contrasted with $7,338,568 in the preceding year, or a reduction of $2,878,121, this being the amount of the debt charges for the year after the reduction of interest and suspension of sinking fund provision was put into effect by Order in Council in 1936. This Order in Council provided for a reduction in interest rates amounting to 50 per cent with a minimum of 2 per cent per annum, effective on accruing interest as from June 1st, 1936. The reduction, therefore, appearing for the fiscal year March 31st, 1937, does not represent the effect of this reduction for a full year. It is estimated that

(1) This figure includes a small municipal contribution.

TABLE V.

COMPARATIVE STATEMENT OF GROSS EXPENDITURE ON INCOME ACCOUNT
For the Years Ended December 31st, 1921, and March 31st, 1931, 1935, 1936 and 1937.

Particulars	For the Years				
	1921	1931	1935	1936	1937
Debt Charges	$ 1,939,635	$ 5,782,068	$ 7,137,338	$ 7,338,568	$ 4,460,447(2)
Education	2,549,850	3,043,714	2,285,350	2,452,317	2,552,433
Legislation	511,826	396,690	203,714	356,120	193,676
General Government	1,316,570	1,333,876	1,451,236	1,522,682	1,677,506
Miscellaneous	24,506	38,699	30,265	45,412	48,450
Administration of Justice	1,264,220	1,254,773	768,069	746,681	749,133
Agriculture	499,743	809,878	401,554	400,183	465,769
Public Domain, Research and Development	125,171	412,025	484,334	403,498	509,874
Public Welfare, Institutions and Charitable Grants	1,368,123	3,300,651	3,831,873	4,155,676	8,941,283(3)
Highways, Bridges and Ferries	838,702	1,556,867	798,587	726,054	1,035,846
Commissions and Fines Paid to Municipalities, and Refunds	166,810	88,302	43,501	78,758	30,776
Grand Total	$10,605,156	$18,017,543	$17,435,821	$18,225,949	$20,665,193
LESS: Subsidies and Refunds of Expenditure from Dominion Government	1,779,509	2,023,994	2,825,560	2,970,849	4,647,604
Net Expenditure from Local Sources	$ 8,825,647	$15,993,549	$14,610,261	$15,255,100	$16,017,589
Estimated Population	588,454(1)	731,605(1)	767,000	772,745(1)	772,745

(1) Dominion Census.

(2) Debt charges for the year ended March 31st, 1937, represents amounts charged to Vote I after reduction of interest and suspension of sinking fund provisions.

(3) Public welfare, institutions and charitable grants for the year ended March 31st, 1937, includes unemployment relief expenditures. In previous years unemployment relief expenditure was capitalized.

(Source: Public Accounts, 1936-37, p. 96.)

for a full fiscal year the reduction would amount to approximately $3,615,874.

Referring to the other items, it will appear that, notwithstanding an increase in population from 588,454 in 1921 to 772,745 in 1937, the expenditure in the last fiscal year for education was approximately the same as in 1921; for legislation in 1936, less than 40 per cent of the amount expended in 1921; for general government, an increase of only approximately $360,000 over the earlier year; the cost of administration of justice, less than that of the earlier year by over $500,000, while the expenditure for agriculture was less than that of the earlier year by $34,000. The expenditure for highways, bridges and ferries showed an increase over that of 1921 of approximately $200,000, notwithstanding the greatly increased mileage of main highways since that year. It is evident, having regard to this increased mileage, that the increase in this vote is not adequate for proper maintenance of the highway system. The great significance in the examination of this schedule, however, appears in the item "Public Welfare, Institutions and Charitable Grants." In 1921 only $1,368,000 was expended for this purpose. In 1936 this expenditure had grown to $4,155,000, or an increase of nearly three million dollars. In the last fiscal year the Province provided for unemployment relief out of current revenue instead of capitalizing this expenditure, as in the previous years, and the expenditure for that year is shown as $8,941,000, or an increase of over seven and one-half million dollars over the expenditure for that purpose in 1921.

The total expenditure for the last fiscal year was $20,665,000, as contrasted with $10,605,000 in 1921, or an increase of $10,000,000 in the sixteen years, and from the analysis it will be observed that practically this entire increase is due to increased debt charges and increased expenditures for public welfare, charitable grants and relief. Had the Province paid the full amount of the debt charges at the coupon rate, this total expenditure would have been increased by an additional $2,878,000, unless, of course, the Province had continued the practice of borrowing from the Dominion for relief purposes, in which case the public debt would have been increased to the extent of the amount borrowed and further annual interest charges incurred.

It will hardly be seriously contended that expenditures could have been further curtailed during the depression years. As already observed, the Bank of Canada report admits that expenditures could not be kept down to the low point of the depression years and that some increases were inevitable. In this connection the following comments in the report to the Alberta bondholders is of interest:

"It is contended, however, that many governmental functions cannot be judged by short-term commercial considerations and under no circumstances would long-term economic policy justify their elimination. In other words, expenditures aggregating many millions of dollars can be eliminated from government accounts in Canada, but it will be at the expense of present welfare and future development. Despite all the criticism to which governments have been subjected, it is well to state that there is a point beyond which the reduction of government expenditures brings a net economic and possibly a financial loss."(1)

INCOME AND REVENUE

Schedule A in the Appendix hereto is a compilation of the total income of the Province each year since 1905, with the revenue each year broken up according to various sources. The schedule follows the form set out by Professor Mackintosh, but is compiled to the end of the last fiscal year.

This schedule shows that in the first year of its history the revenue was derived largely from Dominion subsidies. In the next four years, corporation taxation, railway tax, succession duties and educational tax were added as sources of revenue. In the following year, 1911, revenue was obtained for the first time from auto licenses. In 1913, in accordance with the principles of the single tax then prevailing, the unearned increment tax was added, and for a number of years was a fair source of taxation. In 1915, the wild lands tax was added and was an increasing source of revenue until 1920, after which it rapidly declined in value. In subsequent years the following sources of taxation were adopted: The amusement tax in 1916, supplementary revenue and mine owners' tax in 1918, gas tax and fur tax in 1922, pari-mutuel tax in the fiscal year 1928-29, and electric power tax in 1930. From non-taxation sources, revenue from liquor profits appeared for the first time in 1921, and became a substantial item of revenue following the establishment of government control of the sale of liquor in 1923. Following the transfer to the Province of its natural resources, revenue from this source became an important factor after 1930 and 1931. Without entering into minute detail the following table shows the financial effect of the important changes in taxation and licensing laws since 1929:

In Appendix F of the report to the Alberta Bondholders' Committee a detailed comparison is made of the tax systems of the prairie provinces. In the main the forms of taxation are quite similar in the three provinces, the main difference being as follows: Manitoba has derived considerable revenue by a special

(1) Report to Alberta Bondholders' Committee, p. 54.

TABLE VI.

Government of the Province of Alberta—Treasury Department

STATEMENT SHOWING FINANCIAL EFFECT OF IMPORTANT CHANGES IN TAXATION AND LICENSING LAWS SINCE 1929.
MAIN ITEMS OF REVENUE 1929-30 COMPARED WITH 1937-38.

	1929-30 (Actual)	1937-38 (Estimated)	Increase	Decrease	REMARKS
Real and Personal Property Taxes:					
Supplementary Revenue Tax	$ 1,019,211.72	$ 1,312,000.00	$ 292,788.28		Supplementary Revenue Act, which provided tax at two mills on assessed value of lands was repealed in 1936 and replaced by The Social Services Tax Act, raising tax to three mills.
Wild Lands Tax	236,487.40	10,000.00		$ 226,487.40	Wild Lands Tax Act provided tax at 10 mills, was repealed in 1936.
Electric Power Lines and Plants	....	56,000.00	56,000.00		New tax introduced in 1931.
Pipe Lines — Gas and Oil	....	38,000.00	38,000.00		New tax introduced in 1933.
Corporations Taxes:					
Railways	239,321.83	464,415.00	225,093.17		Railway Taxation Act amended in 1937, to increase tax from one per cent to one and one-half per cent on assessed value.
Banks	64,350.00	220,000.00	155,650.00		Corporation Tax Act amended in 1937 to impose additional tax of one-tenth per cent on paid-up capital.
Insurance Companies	361,287.22	340,000.00		21,287.22	Act amended in 1937 to increase tax on life premiums from two per cent to three per cent.
Miscellaneous Companies	137,411.13	260,000.00	122,588.87		Act amended in 1937 to increase tax on capital from 40 cents to 50 cents per $1,000.
Temporary Additional	....	115,540.00	115,540.00		Taxes on most corporations increased by 10 per cent of the amount ordinarily payable from 1932 on.
Other Taxes:					
Amusements Tax	256,897.36	135,000.00		121,897.36	Taxes on admission prices from 11 cents to 35 cents were reduced about one-half cent and two cents in 1934.
Fuel Oil Tax	1,793,251.69	2,350,000.00	556,748.31		Tax increased from five cents per gallon in 1929 to seven cents in 1932.
Income Tax	....	1,200,000.00	1,200,000.00		New tax introduced in 1932.
*Sales Tax	....	1,600,000.00	1,600,000.00		New tax introduced in 1936.
Licenses:					
Automobiles	2,023,413.91	1,541,700.00		481,713.91	Reductions in license fees in 1930, 1933 and 1934.
Public Service Vehicles Licenses and Taxes	14,779.41	210,600.00	195,820.59		Public Service Vehicles Act, 1936, gives additional powers to license and tax.
Trades and Businesses	....	50,000.00	50,000.00		New licenses introduced in 1936.
Natural Resources:					
Royalties, Rentals, Fees, etc.	....	1,224,200.00	1,224,200.00		Transfer of natural resources to the Province effective October 1st, 1930.—Chap. 5, 1931.
	$ 6,146,411.67	$11,127,455.00	$ 5,832,429.22	$ 851,385.89	
			$ 4,981,043.33 (net)		

* Suspended in August, 1937.

tax on income commonly known as the wage tax, which is not imposed in either Saskatchewan or Alberta. It is interesting to note, however, that according to press reports this tax has been reduced considerably (approximately 50 per cent) at the Session of the legislature recently held in that Province. As against this, however, Manitoba does not impose any tax on land whatsoever, such as the supplementary revenue tax (now social service tax) in Alberta and the public revenue tax in Saskatchewan. The public revenue tax in Saskatchewan is on the basis of two mills on the assessed value. This was the rate in Alberta under the supplementary revenue tax until this tax was changed in 1937 to the social service tax, when the rate was changed to three mills on the assessed value. Saskatchewan has recently imposed an educational tax, which is not found in either Manitoba or Alberta. Alberta has levied the following taxes not found in either of the other provinces:

1. A tax on grain companies on the basis of $55.00 for each elevator.
2. The electric power tax.
3. The tax on pipe lines.
4. The unearned increment tax.
5. The wild lands tax.

It can be assumed therefore that Alberta derives its revenue from practically all forms of taxation known to other provinces. As already pointed out the report of the Bank of Canada states that the scale of taxation in Alberta will be approximately the same as in the other provinces and "we are not prepared to say that a further increase in taxation would be practical or desirable under existing conditions".

FISCAL NEEDS OF THE PROVINCE

From the analysis that has been made of expenditure and sources of revenue, the following facts appear:

1. That the Province has not embarked on any programme of expenditure on income account in recent years that may be considered extravagant. The public accounts for the fiscal year ending March 31st, 1937, call for approximately the same expenditure as in the Province of Saskatchewan.

2. The Province has adopted practically all forms of taxation known in the other provinces and the general level of taxation in this Province is as high as that of the other prairie provinces.

3. The revenues available to the Province from the existing sources of taxation are not sufficient to pay the coupon rate of

interest on the public debt and at the same time to provide the necessary revenue for all services including unemployment relief.

4. If therefore the Province were to pay the regular coupon rate of interest it would have to resort to borrowing from the Dominion for practically all its financial requirements for unemployment relief.

5. The average coupon rate of interest on the public debt is higher in this Province than any government can or should be called upon to meet and there is very little probability of the Province being able to repay the borrowings from the Dominion Government, much less any additional borrowings for relief purposes.

As already pointed out, the Bank of Canada report admits that if the Province were now paying full interest on its obligations it would, in the fiscal year 1937-38, have to borrow its full share of unemployment relief from the Dominion (estimated at $2,160,000) and would still have a cash shortage of about $600,000. It is also admitted that the financial position of the Province is somewhat worse than that of Manitoba although better than that of Saskatchewan.

In Part II of this review the subject of taxation is considered from a realistic economic aspect and taxation, as it is imposed upon the people at present, is shown to be as unnecessary as it is socially detestable. However, in the present instance the subject is treated as an infliction of a financial system which demands that governments shall obtain their revenue by filching the inadequate purchasing power of their peoples.

TAXATION

In a previous part of this chapter the various forms of taxation now being imposed in this Province were reviewed and in Schedule A in the Appendix the revenue received from each tax in each year since 1905 is indicated. It is not necessary to enter into a detailed discussion of each form of taxation now being levied. Some comment, however, should probably be made with respect to a few of the more important sources of revenue.

The annual subsidies paid by the Dominion have from the beginning been an important item of revenue. In the fiscal year ending March 31st, 1937, the total subsidies amounted to $1,776,100.60, made up as follows:

Debt Allowance	$405,375.00
Support of Government	190,000.00
Subsidy on Basis Population	618,225.60
Subsidy in Lieu of Lands	562,500.00
Total	$1,776,100.60

At the time the Province was formed, two of these subsidies, one based on population and the other on debt allowance, were established on a purely arbitrary basis, quite obviously intended to place the Province on an equality in this respect with the other provinces. The subsidy on the basis of population is of course the same as provided for the other provinces, while in the case of the subsidy in lieu of lands a populaton basis was established for the three prairie provinces. It is submitted that subsidies on the basis of population do not result equitably as between the various provinces. The basis is rigid and does not make allowance for the widely varying conditions which prevail in the several provinces. For example, such a basis makes no provision whatever for the differences in area over which services of a similar kind must be provided by the several provincial governments. It has already been pointed out in a previous secton that the cost of highway facilities, for example, is much greater in this Province than in the older provinces of Canada, and this fact applies to a greater or less extent to practically every form of governmental service. It should require no elaborate argument to establish the fact that it does not cost as much to provide equal services to a given number of people in a certain area as it does to provide the same services to the same number of people scattered over twice or three times that area. This fact has been observed in the United States and Australia in arriving at the basis of federal grants-in-aid to assist in highway construction. Other factors, such as area and mileage, have been considered as well as the factor of population in determining the distribution of that form of aid.

Neither does the basis of populaton take into account such factors as the incidence of national policies and, in particular, it does not take into account the amazing growth of social services that has taken place in every province in the last generaton.

It is interesting to note the extent to which the percentage of revenue from Dominion subsidies of the total expenditure of the Province has declined since 1906. In that year the Dominion subsidy provided about 81 per cent of the ordinary expenditure of the Province; by 1920 the subsidy provided only 19 per cent and since 1929 it has provided 10 per cent or less. Thus the Dominion subsidy, which at the time of Confederation was intended to provide substantially for the cost of government in the provinces, has proven steadily less adequate for this purpose and Alberta, like other provinces, has been forced more and more to supplement this source of revenue by direct taxation within the Province.

Provincial governments are handicapped by the restricted scope of the sources from which they have authority to raise revenue to meet the increasing demands being made upon them. In addition it has already been the subject of comment that by a series of decisions of the Privy Council the scope of taxation available to the Province has been constantly narrowed. This has resulted in the Province being unable to raise revenue from sources which would cause little or no complaint among the taxpayers, and, of necessity it forces the Province to resort to methods of taxation comparatively more irksome to the taxpayer. In particular it has resulted in forcing the burden of taxation in increasing measure upon land until land values have been largely destroyed in the Province.

An example of the way in which Alberta has been prevented from adopting forms of taxation which are available, and which would cause little or no objection to the taxpayer, is found in the coal tax which the Province endeavoured to levy some years ago. At that time over 99 per cent of the coal producing companies were agreeable to a tax of five or ten cents per ton on coal sold within the Province. This was collected for a number of years by agreement with the coal companies, although it was recognized that the tax was probably unconstitutional. It can be safely said that little or no complaint was made by the consumers of coal generally to this form of tax. Later when one or two of the companies threatened to contest the impost, the basis was changed to a tax upon total production. Again, over 99 per cent of the producing companies were agreeable to this form of taxation and no objection was raised by the consumers. One company, however, challenged the form of tax and was successful in its appeal to the Privy Council.

Another illustration may be found in the gasoline tax. In order to meet the constitutional difficulty involved, the levy must be made on the consumer directly; in other words, it must be put upon the basis of a sales tax to each consumer. This raises the cost of collection. By special agreement the larger producing companies and wholesalers are made agents to the Government for collection of the tax from the individual consumers and these companies must be reimbursed for their trouble and expense in collecting the tax. Where this arrangement cannot be consummated with the larger companies, the filling station owner or manager must be designated as an agent of the Minister. Not only does such an arrangement add considerably to the cost of collecting the tax but it is subject to evasion. It can probably be safely stated that the Province loses a substan-

tial sum annually by evasion of this tax and because of the difficulty of making the close check on sales necessary to prevent such evasion.

The limitation of the Province to direct taxation within its boundaries has operated peculiarly with respect to both coal and oil producing companies, which obtain their production from land and mineral rights granted to those companies in fee simple, and with respect to which the Province derives no royalty from production. No basis of taxation yet seems to be available to the Province through which these companies can be made to contribute their reasonable share of taxaton to the Province.

In 1913 the Province levied a tax of one-quarter of one cent per unit of output of a certain industry. Subsequently the tax was increased to one cent, this being considered a fair and reasonable tax and one to which the consumers of that commodity would not object. The companies involved refused to pay the tax at the increased rate and threatened to challenge the validity of the tax. Fearing the result of the test of the validity of the basis of this tax, the Government finally compromised with the companies at a rate of one-half cent per unit. Such a position is not a happy one for any government charged with the responsibility of raising revenue for governmental services.

Again in 1933 the oil industry of the Province was declared to be a public utility and subject to regulation as such. The Legislature endeavoured to provide that the cost of regulation should be borne by the various companies engaged in the production of that commodity. This attempt failed and the Government was obliged to bear the cost of regulation out of general revenue, excepting to the extent that some companies voluntarily agreed to contribute to that cost. Such an arrangement leads to discrimination, and because of the cost of regulation, has the effect of reducing the efficiency of the regulation imposed by the Government.

In 1936, Alberta levied a retail sales tax designated as the "Ultimate Purchasers' Tax." This tax could only be imposed by making each retailer an agent of the Government for collection purposes. Not only was the procedure cumbersome and expensive, but the tax was looked upon as a nuisance by the taxpayer because with every purchase the tax was brought forcibly to the attention of the buyer. In this respect the position of the Province was in striking contrast to that in which the Dominion Government finds itself with respect to the eight per cent sales tax which it has levied for some years.

Many students of fiscal problems in the western provinces conclude that the people have reached the limit of their tax-

paying ability. The foregoing argument is not intended to convey the impression that the tax burden would be considerably increased if the basis were wider. If the Province were permitted to engage in indirect taxation, it would lead to greater flexibility in the tax structure and a wider and fairer distribution of the tax burden.

Furthermore, the Dominion has been steadily encroaching upon the field of direct taxation. While it may be admitted that under The British North America Act the Dominion is given the right to levy any form of tax whatsoever, nevertheless it can be maintained with justice that under the original scheme of Confederation there was at least a mutual understanding that the Dominion would confine itself to indirect taxation, leaving the field of direct taxation to the Provinces. For nearly fifty years after Confederation the Federal Government obtained its revenues almost entirely from customs and excise. As late as 1913-14, out of a total of $127,478,100 of tax receipts, customs and excises provided over 99 per cent. The revenue of the provincial governments was derived from unconditional Dominion subsidies, revenues arising out of natural resources, light taxes on corporations, succession duties, and service fees.

In 1917 the Dominion Government established a direct tax known as the war income tax and thus entered definitely the field of direct taxation. By 1928-29 out of a total of $396,000,000 of tax receipts collected by the Dominion, customs and excises provided only 63 per cent (compared with virtually 100 per cent in 1913-14).[1] By 1936 customs and excise provided only 37 per cent of the Dominion tax revenue. Besides the customs and excise tax and income tax, the Dominion Government now levies such additional taxes as a tax on insurance companies, an export tax on electrical energy as well as on gold and furs, gift taxes, special three per cent excise tax on duty-paid value of imports, railway accommodation taxes, telephone-telegraph-radio message taxes, cheques and stock transfer taxes, eight per cent sales tax and many others. The tax system of the Dominion Government, indeed, has proven quite flexible. The balance of fiscal superiority has swung heavily in favour of the Dominion.

The effect upon provincial revenue of the invasion by the Dominion into the field of direct taxation is particularly noticeable in the revenue which may be obtained by the Province under the Income Tax. The fact that the Dominion had already become established in this field of taxation prior to the provinces, and has thus obtained a paramount position, and levies this tax year by year on the basis now prescribed by The Dominion

(1) Canada Year Book, 1937, p. 826.

Income Tax Act, definitely restricts the extent to which the Province may have recourse to this form of taxation. There is a practical limit to the total burden of any form of taxation upon the taxpayer, and if the Dominion tax makes up a certain proportion of this total burden then the Province is limited, in the scale upon which it should make its assessment, by the practical necessity of keeping within the balance of total burden.

The latest taxation year for which statistics under The Provincial Income Tax Act are available is 1935, as the returns for the fiscal year ending March 31st, 1937, have not yet been fully tabulated. As the returns for the fiscal year ending March 31st, 1937, however, are not expected to vary much from the returns of the preceding year, the analysis of the 1935-36 returns will show approximately the present position of the Province with respect to this tax. The following table shows the amount assessed against individuals and corporations for the years 1931 to 1935 inclusive:

TABLE VII.

Year	Number of Taxpayers	Aggregate Income	Tax Levied
INDIVIDUALS:			
1931	24,571	$51,930,321	$508,133
1932	22,645	45,200,668	453,843
1933	20,701	39,214,177	314,090
1934	20,448	40,657,627	350,003
1935	21,825	43,705,154	617,107
CORPORATIONS:			
1931	412	$ 6,642,923	$203,926
1932	350	6,057,963	210,521
1933	498	5,146,163	193,617
1934	570	4,536,645	165,949
1935	593	6,623,053	313,858
1931	24,983	$58,573,244	$712,059
1932	22,995	51,258,631	664,364
1933	21,199	44,360,340	507,707
1934	21,018	45,194,272	515,952
1935	22,418	50,328,207	930,965

It will be observed that for the year 1935 the assessment against individuals amounted to $617,107 and against corporations $313,858, or a total assessment against both classes of $930,965. In the same year the Dominion assessment against individuals is estimated at $552,948 and against corporations $940,574, or a total of $1,493,522. It is apparent, therefore, that if it had been possible to levy a tax in this Province on the same basis as assessment under the Dominion Act, the Province would have realized approximately $550,000 more. It is of importance also to note that in this Province the tax on corporations results

in much less revenue than the tax on individuals—a reversal of the situation which should exist. This is chiefly due to the fact that the Province is definitely restricted in the amount of tax it can levy upon corporations as recent court decisions against the Province show. It is also, no doubt, due in part to the difficulty experienced by any province in levying taxation upon corporations which for the most part have their head offices in another province and by various devices are able to evade making proper returns and paying their fair share of taxes. The Dominion on the other hand has consistently realized more from the tax on corporations than from individuals. In only one taxation year since 1923 has the tax on corporations yielded less than that on individuals. That was in the year 1932 when the corporations in Canada were undoubtedly suffering to the greatest extent from the effects of the depression. Since that year, however, the tax on corporations has responded more quickly to the influence of recovery than has the tax on individuals.

The four major difficulties confronting this Province in connection with the Income Tax are as follows:

1. The comparatively few individuals in the Province possessing incomes in excess of $5,000 per year.

2. The tendency of many residents to retire in their later years to one of the provinces possessing a less rigorous climate, particularly during the winter months.

3. The difficulty of obtaining information with respect to the incomes of individuals earned outside the Province.

4. The difficulty of properly assessing corporations having their head offices in other provinces.

Referring to the last mentioned difficulty, it is not possible to say what benefits other provinces receive by virtue of the location of the head offices of corporations having branch offices in this Province. Neither is is possible, without revealing the identity of certain taxpayers, to illustrate the manner in which this Province may suffer a loss of revenue because of this fact. It is known, however, that in some cases through lack of information, revenue is lost to the Province. Returns filed by certain corporations with head offices in eastern Canada, whose operations in this Province are extensive, show losses or comparatively small profits from their Alberta operations, while showing large net earnings for the organizations as a whole. Audits of the Alberta branches of these companies have revealed to the Department only a portion of the required information. Subsequent to these audits information was requested from the head offices which has not been forthcoming. At the present time measures

are being contemplated whereby it is hoped the information may be obtained. When complete information has come to hand it is possible that we may find these corporations to have reported correctly their Alberta income, but until such time as we do obtain the information we can have no assurance of this fact.

Corporations and individuals endeavour to so arrange their affairs that they may avoid taxation. It is conceivable that corporations will interpret taxing Acts to their advantage and in such cases will allocate the earned income to those provinces in in which there is the least tax to pay. It is to their advantage to pay one per cent or two and one-half per cent on their profits in Ontario or Quebec, respectively, rather than five per cent in Alberta.

Prior to the taxation year 1934, corporations carrying on the business of banking, railway, express, grain, insurance, land, loan, telegraph, finance, investment and trust companies were exempt from income tax. As from the taxation year 1934, these companies have been subject to provisions of The Income Tax Act (Alberta) with the exception of railway companies which remain exempt. The amendment to the Act provides that these companies receive an offset against income tax of the amount paid under Sections 4 to 17 (inclusive), of The Corporations Taxation Act. On the returns filed to date by these companies, the offset in the majority of cases has been greater than the tax assessable on the income from Alberta business.

It is readily seen from the foregoing that for proper administration it is essential to have a general reciprocal arrangement with the Dominion and all provinces levying a tax on income, whether by an Income Tax Act or a Corporations Taxation Act.

SUCCESSION DUTIES

This tax is levied in every province and is one of the well recognized sources of provincial revenue.

An examination of Schedule A of the Appendix reveals the wide variation in the amount realized by the Province under this form of taxation. In the fiscal year 1929-30 for example, a total of $897,000 was realized but this amount is larger by over $300,000 than the revenue from any other year and was no doubt because of the duties on one very large estate. In only four years in the history of the Province has the revenue been over $400,000; in normal years it has been about $300,000. The reason, of course, is apparent and is also disclosed in an examination of the income tax returns for the Province. Those returns show that there are very few persons in the Province receiving an income of over $5,000 a year and there are equally

very few estates of high value. This is shown by reference to Table VIII which sets out an analysis of the estates filed in the fiscal year 1936-37. This table indicates that out of 2,429 estates filed in that year, nearly 50 per cent were under $3,000 in value while over 80 per cent were under $25,000. This may be considered an average prevailing over a period of years as shown by Table IX in which an analysis is given of the estates filed for twelve years. According to this table only 28.4 per cent of the estates were dutiable over that period while the average returns for twelve years is given at $409,200.

TABLE VIII.

ANALYSIS OF ESTATES FILED
(Fiscal Year 1936-37)

Number of estates not exceeding $3,000	1,089
" " " between $ 3,000 and $ 5,000	388
" " " " 5,000 and 10,000	296
" " " " 10,000 and 25,000	231
" " " " 25,000 and 100,000	119
" " " " 100,000 and 200,000	27
" " " exceeding 200,000	26
" " " without fees (chiefly insurance only)	253
" " new estates filed 1936-37	2,429

—(De bonis non applications not included)

TABLE IX.

ANALYSIS OF ESTATES FILED 1925-1936

Year	Number of Estates Filed	Dutiable Estates	Exempt Estates
1925	1,362	340	1,022
1926	1,612	471	1,141
1927	1,667	570	1,097
1928	1,913	609	1,304
1929	2,400	766	1,634
1930	2,160	724	1,435
1931	1,855	544	1,311
1932	1,924	483	1,441
1933	1,934	488	1,446
1934	2,107	505	1,602
1935	2,296	557	1,739
1936	2,429	654	1,775
	23,659	6,711	16,948
Average for 12 years	1,972	560	1,412

Total Revenue for 12 years	$4,910,411.27
Average	409,200.00
Average Duty on All Dutiable Estates	730.00
Average Duty on All Estates Filed	290.00

Per cent of Estates Dutiable $\frac{560}{1972}$ x 100=28.4 per cent.

It will be observed from Schedule A that in proportion to population, Alberta does not approach the revenue from this source of taxation which is enjoyed by the central provinces. For example, in the fiscal year 1933-34, Alberta had a revenue from this source of approximately $257,000. Ontario in the same year enjoyed a revenue of $6,515,000, while Quebec had a revenue of approximately $2,700,000. The differences in revenue are, of course, quite out of proportion to the differences in population of the respective provinces. This difference is not confined to a single year but the disparity is found throughout all the years since 1905. Neither can the difference be explained on the basis of natural wealth of the respective provinces. It can only be explained on the basis of the benefits which have been derived by the two central provinces as centres of the financial and industrial life of Canada with their industries protected by tariff policies, which at the same time force the eastern and western parts of Canada to purchase all manufactured goods and supplies from these provinces. As stated before, evidence was given before the Royal Commission on Dominion-Provincial Relations by the Dominion Commissioner of Income Tax that the amount of the Dominion tax collected in the central provinces reflects the fact that the head offices of corporations there draw business from all over Canada.

It was pointed out in an earlier chapter the Canadian Pacific Railway Company was granted exemption from taxation on its main line properties. There is some doubt as to what parts of its railway lines in this Province are included legally in this exemption. The result has been that the basis of railway taxation in the Province, so far as this company is concerned, is largely one of compromise. It has not been thought advisable to assess the Canadian National Railway lines on any higher basis than the Canadian Pacific. As a result although all examinations into the freight rate structure disclose the fact that this Province along with the other prairie provinces contribute very heavily to the total freight traffic of the transcontinental lines, nevertheless the western provinces do not receive the same proportionate returns from railway taxation. An estimate of the total amount of taxation paid by railways to all the provinces of Canada since 1909 was submitted to the Royal Commission on Dominion-Provincial Relations by the Province of Saskatchewan. The total amount paid to the Province of Alberta in that period was $5,479,000. If the estimate of the total amount paid to all the provinces above referred to is correct then Alberta has collected less than three per cent of the total collected by all the provinces. Again this is out of all proportion to the comparative population figures.

It is not necessary to make an analysis of any of the other sources of revenue. It has already been shown that the Province had adopted practically every form of taxation recognized by any of the provinces of Canada and on a comparable scale. These sources of revenue, however, are not adequate to meet the ordinary expenditures of the Province, much less to adequately meet the urgent demands for improved highways, public health and other social services and for unemployment relief.

SAVINGS CERTIFICATES

The Bank of Canada Report refers to the inauguration of the Savings Certificate scheme in this Province as being a particularly vulnerable feature of the Alberta public debt.

In 1917 the policy of selling Savings Certificates was established. At first these certificates were made payable on demand. They were first sold to yield five per cent compound interest, but in 1921 the yield was reduced to five per cent simple interest. Further reductions in yield were made in subsequent years until in 1927 the yield was four per cent. In the fiscal year 1932 and 1933 it was thought advisable to endeavour to get away from demand certificates and the plan was insituted of selling these certificates on terms of one, two and three years.

The Saving Certificates policy undoubtedly resulted in the Province being able to obtain funds from its own citizens at a lower rate of interest than it could have obtained from borrowing in the usual way. At the same time purchasers were willing to invest in this form of security as it provided them with a larger rate of interest than could be obtained from bank deposits. It is probable that the greater number of investors in Savings Certificates were individuals who ordinarily would have left their money on deposit in the savings bank if this form of investment had not been available. In 1932, while the Province was paying five and five and one-half per cent to the Dominion on its Treasury Bills the total cost of money under the Savings Certificates plan, including administrative costs, averaged 4.28 per cent. In 1933 the average was 4.33 per cent, in 1934, 4.47 per cent and in 1935, 4.56 per cent.

In 1936, by Order in Council No. 734, the rates of interest on Savings Certificates, as on bonds, was reduced 50 per cent, with a minimum rate of two per cent. Provision is being made by the Province to allocate upwards of $60,000 per month for the redemption of these certificates in the case of need.

BANK OF CANADA REPORT

The recommendations in the concluding part of the Bank of Canada's report, which was made on April 7th, 1937, may be summarized as follows:

1. It was agreed that the scale of taxation in Alberta for the fiscal year 1937-38 would approximately equal the scale of taxation in Saskatchewan and Manitoba during the same period.

2. The bank was not prepared to say that a further increase in taxation would be practical or desirable under existing conditions.

3. It was admited that expenditure could not be kept down to the low point of the depression years and that some increases were inevitable particularly with respect to education, health services and highway requirements.

4. The most significant statement in the bank's report reads as follows:

> "If Alberta were now paying full interest on its obligations, the Province in 1937-38 would presumably have to borrow its full share of unemployment relief from the Dominion and, on the basis of budgetary estimates (not including debt retirement), would have a cash shortage of about $600,000. Its position would be a little worse than that of Manitoba but distinctly better than that of Saskatchewan; and a claim for assistance would no doubt be considered in the light of these facts."

In other words, the bank admitted that if Alberta attempted to pay interest on public debt in full, it would have a deficit of over $600,000 even if it borrowed all its cash requirements for relief from the Dominion. It also admitted quite frankly that if Alberta followed this orthodox procedure it would be entitled to special assistance from the Dominion Government pending the report of the Royal Commission on Dominion-Provincial Relations as was recommended in the case of Manitoba and Saskatchewan. Because, however, Alberta chose to refuse to pay the high coupon rate of interest on its public debt and reduced the rate by 50 per cent as hereinbefore mentioned, and also declined to submit to the domination of a loan council, the bank refused to recommend that assistance.

It is difficult to escape the conclusion, in reading this report, that a penalty was imposed upon Alberta because it had reduced the rate of its bonded debt. There are facts which the report utterly failed to take into consideration, such as:—

1. That by reducing rates of interest the Province was able to meet the cost of unemployment relief which otherwise the

Dominion would have been required to meet by loans to the Province.

2. That the degree of assistance which had been furnished by the Dominion Government to Alberta over a period of years by way of direct advances or by guarantee, was in strong contrast to the assistance which it had been obliged to give to Manitoba and Saskatchewan.

It is beyond question that Alberta has drawn less heavily upon the Dominion for assistance in meeting unemployment relief than has any other western province. This is plainly indicated in the followng table whch sets out the loans, guarantees and write-offs made by the Dominion Government to the Provinces of Manitoba, Saskatchewan, Alberta and British Columbia up to February 28th, 1938.

These factors were not taken into consideration. It is submitted that on any fair basis of comparison of the financial relationship between the Dominion and the several prairie provinces since 1930, the report is a distinct and definite discriminaton against this Province, apparently based upon one consideration, namely, that the Province had reduced rates of interest on its bonded debt.

TABLE X.

LOANS, GUARANTEES AND WRITE-OFFS BY DOMINION GOVERNMENT AS AT FEBRUARY 28TH, 1938, TO WESTERN PROVINCES

Purpose	Manitoba	Saskatchewan	Alberta	B.C.
Obligations	$ 1,139,455	$ 3,934,341	$ 8,577,000	$ 9,818,855
Agricultural Relief and Seed Drought Area	234,818	14,550,633	3,152,748	
Public Works and Direct Relief	21,618,770	41,363,168	14,156,450	22,452,861
	$22,993,043	$59,848,142	$25,886,198	$32,271,716
Guarantees:				
Savings Bank	6,975,988			
Debentures	5,628,763			626,533
Seed Grain, 1936		2,555,113		
	35,597,794	$62,403,255	$25,886,198	$32,898,249
Seed Grain, 1937, maximum authorized Amounts not yet determined.	750,000	6,600,000	x 1,600,000	
	$36,347,794	$69,003,255	$27,486,198	$32,898,249
Less written off by Dominion	804,897	17,682,158		
	$35,542,897	$51,321,097	$27,486,198	$32,898,249

x Actual amount guaranteed Alberta, $1,339,000.

Special grants to Manitoba, 1937, of $750,000 and $1,500,000 to Saskatchewan based on the Report of the Bank of Canada.

CHAPTER XVI.

RECOMMENDATIONS

In the foregoing chapters an attempt has been made to review the many problems which affected the early development of Alberta as well as those which still confront the Province. Some of these are the same in character, if not in degree, as those of our sister prairie provinces. While Alberta has been fortunate in possessing certain resources which the other provinces lack, these advantages are, to a considerable degree, outweighed by disadvantages and problems which are peculiar to this Province.

The outstanding fact which dominates any consideration of Dominion-Provincial relations and the needs of the present critical period in our Dominion's history is that no mere partial or half-way measures will suffice. At all costs Confederation must be preserved, but unless courageous action is taken in time to deal with the fundamental economic causes from which our troubles arise, national disaster is certain.

The heavy price which Alberta and other western provinces have paid for their membership in Confederation has created a growing resentment towards the east in the minds of westerners. This threatens to strike at the very roots of national unity. Yet the people of the east are not to blame for the plight of the west, for they are also the victims of the same interests which have reduced the western provinces to a condition of economic impotence. Until this is recognized, and until the people of the east join hands with the people of the west to overcome the forces of reaction supporting the dominating financial interests, there will be little hope of a United Canada so essential to Confederation.

It is useless to dwell upon the past. Recriminations for injustices of bygone days will not contribute to a solution of present difficulties. However, in adjusting the disturbing relations between different parts of the Dominion, it is necessary to consider how the present situation was brought about. Where one section of the nation has been unduly burdened for the benefit of another, such adjustment as will compensate the aggrieved section should be made, and should be made if possible without adding unduly to the burden of the other provinces, as that would merely aggravate the present disunity. The Government of Alberta is convinced that such adjustment can be made, but only by removing the fundamental causes of our national ills.

The recommendations which follow are those which the Province considers should form the basis of any adjustment of Dominion-Provincial relations in respect of the present situation viewed in the light of the past. No attempt is made to present a specific monetary claim computed upon the losses and hardships sustained by the Province as the result of disastrous Dominion policies. The price of Confederation cannot be computed in terms of money. It is of such priceless value that the forgiveness of past losses or injustices would be a small price to pay for the solution of present problems on a basis which will ensure national unity.

As already stated, it is the uncompromising conviction of the Government of Alberta that no partial measures will be of any lasting value. Even if the present plight of the Province is eased, the formidable problems of ever-mounting debt, poverty amidst plenty and economic impotence must be faced. For this reason the following recommendations should be taken in conjunction with those in Part II, in which the fundamental causes of our economic problems are examined and definite recommendations are made to deal with these.

PROVINCIAL DEBT AND FINANCE

1. As it is now generally recognized that unemployment relief is essentially a Federal responsibility, the Dominion Government should cancel that portion of the outstanding treasury bills owing to the Dominion by the Province which represent the expenditures of the Province for unemployment relief and loans made by the Province to the cities for unemployment relief purposes.

2. For the reasons set out in Chapters IV and V, there should be a recognition by the Dominion of at least a share of responsibility for losses sustained by the Province in,—

- (*a*) Expenditures for agricultural relief purposes in the drought area;
- (*b*) The development of irrigation projects;
- (*c*) Provincial railway development; and
- (*d*) Alienation of natural resources prior to the formation of the Province.

In consideration of this the Dominion should assume complete responsibility for a reasonable portion of the debt of the Province.

3. In recognition of the disabilities borne by the Province arising out of national policies such as the tariff and the present freight rate structure, as well as from the high interest rates which have heretofore prevailed in western Canada, and also in recognition of the special disabilities suffered by the Province

as a result of the monetary policy of the Dominion during the depression years, the Dominion Government should instruct the Bank of Canada to under-write the refunding of the balance of the Provincial debt at a low rate of interest, not to exceed two per cent.

4. The urgency of the general debt situation requires that the Dominion Government should deal immediately with the civic, municipal and private debts of the Province, or provide facilities for the Provincial Government to meet the situation.

5. Until the economic reconstruction recommended in Part II is in operation the Dominion Government should assume the entire cost of,—

(*a*) Unemployment relief;

(*b*) Old age pensions.

GRANTS IN AID

6. Having regard to the growing burden of social services and the increasing importance of adequate provision for highways, the Dominion should inaugurate and maintain adequate grants-in-aid to the provinces in respect to the following services:

(*a*) Public health services;

(*b*) Education;

(*c*) Mothers' Allowances;

(*d*) Highway construction and maintenance.

ECONOMIC RESTORATION

7. In recognition of the necessity of providing adequate transportation facilities between provinces for economic as well as for defence purposes, the Dominion should undertake the construction and maintenance of a properly surfaced transcontinental highway.

8. In order to facilitate and encourage proper development of the resources of Northern Alberta and the North-West Territories, and in particular for the purpose of encouraging tourist trade and capitalizing the assets of the Province represented by the National Parks, the Dominion should provide an arterial highway from the United States boundary to the rapidly developing areas in the north, with branches to the National Parks at Banff and Jasper.

9. For the reasons set forth in Chapters V and VIII, the Dominion Government should construct and maintain water storage reservoirs in the foothills of Alberta, and assume the cost for the rehabilitation of the drought area.

10. To assist in the adjustment of agricultural debts and to ameliorate the difficult conditions under which agriculture is carried on, the Dominion Government should, through the Bank of Canada, provide agricultural credits at low interest rates and for long terms.

11. To meet the recommendations contained in Chapter XIV the Dominion Government should provide adequate monetary facilities for an extensive home building programme.

NOTE: The above recommendations can be carried out by the Dominion Government insisting that the Bank of Canada really function in the national interest. The necessary monetary facilities can be provided by that institution without loss to any other section of the Dominion.

12. As the marketing handicaps of freight rates and international tariffs and quotas are essentially Federal responsibilities, the Dominion Government should actively assist in promoting markets for Alberta products, in particular live stock, coal, oil and sugar. The Dominion should also make provision for the establishment of minimum prices for wheat and live stock commensurate with the reasonable cost of production.

13. A revision of the freight rate structure should be undertaken to provide for greater equity among the various provinces and to assist in the marketing of the major national products.

* * * *

While these recommendations may appear formidable, actually their adoption would do no more than to tide over the national situation until definite economic reconstruction along the lines recommended in Part II has been put into effect. In no instance would the adoption of these recommendations involve placing undue burdens upon any other part of the Dominion. The principal requirement is that the Dominion should insist upon the Bank of Canada carrying out its proper function—that of regulating the nation's money supply to meet the requirements of the people. These recommendations are made within the limitations of the present defective monetary system and its adaptation to meet the transition period to a new economic order. The fundamental issues involved are dealt with fully in Part II of this Brief.

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THE CASE ALBERTA

The Case for Alberta

PART II

The Urgent Need for Social and Economic Reform

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Alberta's Case in Summary

1. The Province of Alberta is so richly endowed with natural resources that it is *physically* possible to provide every man, woman and child within its boundaries with a standard of living many times higher than that ruling at present.

2. The following statement shows the capitalized value of Alberta's resources—including population. (It should be emphasized that a correct statement of the assets of a province or a country must include its most essential factor—the capitalized value of its population in terms of productive capacity.)

REAL CAPITAL ASSETS(1)

PROVINCE OF ALBERTA, 1936-37

Agricultural Lands (Developed and Undeveloped)	$ 448,000,000
Forests	2,864,500,000
Minerals	222,343,715,000
Buildings, Harbours, Communications, Irrigation, Developed Water Power and Public Works	756,347,534
Capitalized value of the Population	4,464,046,125
Net Credit Balance between Province and Elsewhere	45,000,000
	$230,921,608,659

3. The foregoing assessment, which is a careful statement of Alberta's capital assets, has been calculated on a conservative basis.

4. With a population of 772,782, the capital resources of the Province average about $300,000 per person. Assuming that these resources were exploited at the very low rate of *one-half of one per cent per annum,* the present standard of living of the people of Alberta would be increased approximately *eight times.* This would yield an average annual income of about $1,500 per person or about $6,000 per family of four at the existing price level.

5. While it may be argued that such a high living standard can be secured only by the export out of the Province of a very substantial portion of the increased production, in order to obtain the diverse variety of goods for which there would be a demand, this is partially true only.

(1) See Appendix I for a detailed statement.

6. The abundant sources of power at the disposal of the Province in its natural assets of coal, oil and, to a limited extent, water power render it ideal for industrial development. Besides, in the main, the majority of the population are in want of the very products which could be supplied from the limited development that has taken place to the present time.

7. Coincident with these vast resources which are at the disposal of the Province we find,—

(*a*) 52,000 persons on relief, living at a very low standard. Of these, 10,000 represent unemployed persons—or a reserve of labour which could be employed in much wanted production.

(*b*) Total taxation — Dominion, provincial, civic and municipal — representing depletion of already inadequate incomes — is estimated at $48,563,276 or about 30 per cent of the net income of the people available as purchasing power for consumers' needs.

(*c*) Debt charges and payments would, in existing conditions, represent a further 25 per cent of gross income—the main burden of this falling on producers and traders.

(*d*) The income of the Province is depleted further by the extortionate freight charges which have to be paid by the people for both goods sent out of the Province and goods brought into the Province—with the disadvantage of selling in an uncontrolled market and buying in controlled markets.

(*e*) The debt situation is staggering. The total of provincial, municipal, mortgage and private debts amount to approximately $600,000,000, or about $800 per capita of the population. To this must be added the average per capita share of the Dominion public debt. This brings the figure of about $800 to $1,100. While this is insignificant beside the corresponding capital resources of the Province, it presents a fantastic problem when, as will be shown later, this debt represents a liability required to be discharged in money which the present system demands shall be issued only as a debt—thus rendering it impossible for the total debt burden to be lessened. It must increase.

8. In short, with resources adequate to provide the people of the Province with a balanced productive system and a high standard of living, the people of Alberta are poverty stricken, taxed to the limit of human endurance and debt-ridden to a point of desperation.

9. While the economic problem facing Alberta is the same problem which is facing every other province, the Dominion as a whole, and every country operating the so-called orthodox financial system, it exists here in a more acute degree, and the crass stupidity of abundant natural resources, with vast reserves of power for productive purposes, existing side by side with poverty, want and restriction is, perhaps, more apparent in Alberta than elsewhere. The absurdity of the anomaly is so startlingly obvious that a people who have given both study and thought to economic problems are demanding immediate action to have this state of affairs remedied.

10. Yet a comparison of Canada with the U.S.A. will reveal that what is so obvious in Alberta should be equally obvious to every person of reasonable intelligence, even though ignorant of economic matters, throughout the Dominion.

11. The U.S.A. comprises a smaller area than Canada. It has the climatic advantages which give it a greater diversity of production, but it is not so richly endowed in natural resources as Canada. It has a population about twelve times that of Canada, yet this smaller and naturally poorer area supports twelve times the population in at least equal comfort generally.

12. What then is the *root* cause of this startling disparity between the two countries? Why is it that Canada, with a population of but some 11,029,000 persons and resources sufficient to provide these with all reasonable material wants, is faced with a problem of widespread poverty? Why is it that unemployment persists when the services of those unemployed could be used to convert idle resources into wanted production? Why is it that Canada's debt increases as fast—or faster—than her wealth as represented by developed resources? Put another way, why are the people of Canada becoming financially poorer through debt as their country becomes physically wealthier—and to whom are they becoming indebted?

13. It is to these questions that the chapters which follow will be directed in the form of a short analytical examination of the economic structure. Such an examination must precede any recommendations for remedial measures—for the damage to social life which has resulted from ill considered and irresponsible experiments to patch up an obviously decaying economic system cannot be condemned too strongly. The human suffering in the world, and the spectacle of nations moving towards an armed conflict that may well end civilization, is a monument to the confused thought and the obstinate adherence to disastrous traditions which are the prevailing features of modern leadership.

14. In that outstanding contribution to our knowledge of civilization, *Human History*, the author, Sir Grafton Elliot Smith, states in the introductory chapter,—

> "One of the strange ironies of the attainment of human rank is that the acquisition of speech, which opens to Man almost unlimited opportunities for extending the range of his knowledge, at the same time provides him with the means for evading the effort of independent thought by offering him ready-made conventions of speech as well as of customs and ideas. The vast majority of mankind thus accepts without question the guidance of tradition, and by sheer inertia loses the ability to observe or interpret evidence in any sense other than the conventional one that has been instilled into them by custom.
>
> "Every one who has ever called attention to facts, or inferences from them, that came into conflict with fashionable doctrines must have been made to realize how little influence the experience of the scientific developments of the last three centuries has had upon men's readiness to make even the simplest observation, or to admit the truth of the most obvious principles. Most men, even without being consciously dishonest or wilfully stupid, seem to be unable to examine heterodox views with understanding and impartiality."

15. The truth of Sir Grafton's strictures are but too evident from the present economic plight of the world, and it is in the spirit of the following extract taken from a leading article which appeared in *The Times*, of London, England, on November 3rd, 1932, that the examination of the situation which follows is submitted to the people of Canada:

> "The problem which is now perplexing mankind is to discover by what flaw or flaws in our system it has come about that the world, never better equipped both in knowledge and in machinery to produce all its needs, is forced to see so much of that knowledge and machinery lying idle while millions of willing workers are unemployed and in want.
>
> "The professed authorities on these questions have expressed many conflicting opinions and have given such contradictory advice, that the best hope of success seems, indeed, to lie in candid examination of the facts by men not professing to be experts and consequently unhampered by preconceived theories."

CHAPTER II.

The Economic Structure

The problems which face Alberta and every other province are basically economic. What we term the economic system is yielding the very results which create the problems. At the outset, therefore, it is important that we determine the purpose for which economic organization should exist, and then that we examine these organizations to ascertain whether, in fact, they are contributing to the objective, and if not, to seek the cause or causes of such failure.

Purpose of Economic System

The economic system has developed during the progress of civilization over a period of 6,000 years. The many interlocking organizations of which it consists, taken collectively, are highly complex, but the purpose of economic organization and the basic principles which should underlie it remain simple.

Reference to Chapter V of this part, dealing with social organization in relation to the constitutional problems of Canada, will emphasize the fact that the social order which is natural is one that is organized to enable individuals in association to get that which they desire and need from their social activities. It is this confidence, arising from the belief that in association they can gain what would not otherwise be possible, that should constitute the social power which prevents social disintegration.

This natural form of society is what we term democracy—or government, in its wide sense, in accordance with the will of the people. It is a recognized fact that the essential feature of democracy is that the policy, which can be defined as the specification of results, shall be determined by the people comprising the social unit.

Broadly speaking, human endeavour in social progress has been governed by man's inherent desire for personal security and personal freedom.

The reality of security and of freedom can not be established or maintained other than within the sphere of economic activity —for it requires that the material wants of every member of the community shall be assured while leaving each as free as possible to "choose or refuse one thing at a time" — the definition of freedom.

Therefore, the purpose of the economic system and of all economic organization is plainly to provide the individuals of a community with goods and services as and when and where these are required, with a maximum of efficiency and a minimum of compulsion upon individuals.

This is fundamental to any proper understanding of the economic structure and any other conception of the purpose of economic organization is a denial of democracy as the natural social order.

PRODUCTIVE ORGANIZATION

For nearly sixty centuries the basic economic problem facing humanity was in regard to production. Under the urge of gaining material security—a sufficiency of food, clothing and shelter—organized society struggled to improve its methods of production. However, in this it was limited by the known sources of energy from which it could draw and by the practical knowledge determining the rate at which it could utilize this energy. Production depends upon the application of energy to matter in order to convert it from a useless into a useful form or to transfer products from where they are not wanted to where they are wanted. This requires organization and is, of course, dependent upon the knowledge, skill and character of the members of the community.

Until the introduction of power production—by which is meant the application of solar energy stored in coal, oil, naptha, etc., to drive machinery—resulting in automatic and semi-automatic productive processes, mankind was dependent upon the very limited energy resources of animals, and the harnessing of wind and water power as aids to human energy.

However, with a knowledge of the way in which the stored energy of the sun found in certain minerals could be harnessed in the service of mankind, a revolution of unprecedented importance in human progress—and in particular in the sphere of production—occurred within the short space of a few decades.

The fundamental fact to be borne in mind is that there are three limiting factors in production,—

(*a*) The energy resources available;

(*b*) The *rate* at which these can be utilized objectively;

(*c*) The natural resources available for conversion into wanted goods.

In the Province of Alberta, the energy resources available in coal, oil, natural gas and gasoline are sufficient to develop the natural resources of the whole of Canada for a very long period of time. The availability of such vast sources of solar

energy render the Province ideal for industrial development. If encouraged, wool could be produced and converted into clothing, blankets and other woollen goods. Shoes and all leather goods could be produced as could almost everything for houses. In addition, the Province could produce paper, furniture, chinaware, pottery, tiles, asphalt, dyes and other by-products of coal, biscuits, cereals, carpets, glassware, canned goods, matches, brushes, furs, and while, as yet, no known iron deposits are available for exploitation, the proximity of such vast power resources would render it economic to attract the heavier industries to the Province rather than to send out the energy supplies to eastern points where, in the main, industrial production is centred at present.

UNEMPLOYMENT

With these vast potentialities and with the productive capacity to provide its people with all the food, clothing, homes, roads and many of the amenities of life, the mass of the people are poverty stricken, debt-ridden and taxed to the limit of their already too inadequate incomes. What a startling anomaly it is that in such a situation the Province has over 10,000 heads of families unemployed!

The strange attitude of mind that looks upon unemployment as a natural social affliction and one to be remedied by creating work, is evidently the result of the confusion of thought responsible for having pushed into the background the real purpose of economic activity—the production of what people require, not the creation of work.

Labour-saving machinery and processes obviously reduce the amount of labour required.

The whole tendency of modern industrial organization is to eliminate human toil from the sphere of production. The following data gives some small indication of this trend in industrial organization and development:

> "Let us glance for a few moments at what is happening in the physical world. We will take food first. In agriculture, 75 years ago one man could cultivate 12 acres. To-day, using modern equipment, he can cultivate over 100 acres. In the United States, where they are much more technically equipped in agriculture than we are in this country, using modern equipment and methods, 4,000 men could have cultivated the 1929 crop; 100 years previously it would have required 5,000,000 men. At Sprowston, near Norwich, there is a mechanical planting equipment. It has been used for cabbages, celery and strawberries, and it sets and waters plants at the rate of 12,000 an hour. In the Fen district it has actually planted celery at the rate of 25,000

plants an hour, 7 plants a second. An experienced hand planter could plant no more than 700 an hour.

"Turning to cigarettes — using modern equipment, 3 employees have an output equal to that of 700 hand-workers. They can turn out 12,000 cigarettes a minute, or 700,000 cigarettes an hour.

"With regard to clothing, the average weight of the fleeces of wool in Australia has increased during the past 70 years from 2½ lbs. to over 8½ lbs. When that wool comes to the knitting-machines, there is a machine in operation to-day which makes 3,000,000 in the time in which 300 would be done by hand; and one girl, tending 25 automatic machines, can produce 3,600 pairs of socks in a day.

"There is a machine in existence at Los Angeles which produces boots and shoes with the assistance of two men. These two men require two helpers and a few operatives for odd jobs. The interesting feature about this machine is that it can turn out 1,000 pairs of boots or shoes per day.

"Near New York, at Corning, there is an electric lamp manufacturing plant which has an output of 650,000 lamps per machine per day, an increase over handicraft of 10,000 times; and one of these machines can be built in six weeks by 37 men. The Redfern glass bottle machine, which has a rotating weight of 40 tons, has an output of 400,000 quart bottles or 1,000,000 pint bottles per week. Fifteen men, operating in three shifts of five each, have charge of this machine, and each machine displaces 300 men and boys. It may be of interest to some of you to know that the first two of these machines ever sold were sold to Japan. In 1880 the maximum production from a blast furnace was 1,200 tons a week. Now there are blast furnaces with an output of 1,000 tons a day. During the past fifty years the production of steel has increased from 4,000,000 tons a year to 90,000,000 tons a year. In the case of rolling mills, a mill used for the rolling of sheet bars has an output of 700 tons a day. Two of these mills were recently supplied to Japan. In the production of bolts, where automatic machinery is particularly suitable, one machine operated by one man and one boy can do the work which was formerly done in the handicraft era by 6,000 men. Compared with the handicraft era, that machine saves 17,000 pounds a week in wages. In the Wolseley motor car works there is a machine which drills the holes in the crank cases. There are 70 holes altogether. Some of them are vertical and some horizontal, but they are all drilled in one operation, and the whole of them are drilled in just 60 seconds. The Smith Corporation of Milwaukee in the United States is practically one huge machine. It produces one commodity, and that is chassis frames for motor cars. After 500 separate operations a complete chassis frame is delivered to the stacking plant every 8 seconds. The output of that plant when it is in full operation is 10,000 chassis frames a day. Thirty years ago the output of the factory was 10 chassis frames a day. The staff of that factory numbers 208 men. In 1904 about 1,290

man-hours were required to produce a motor car. In 1929 the man-hours required to produce a car were 92.

"It is estimated that if the resources of the United States were fully used they could supply all the needs of five times the number of people at present existing on the earth."

—A. L. Gibson, F.C.A., of England, speaking in the Central Hall, Westminster, London, England, in 1935.

It should be obvious that any system which is directed towards deliberately substituting automatic and semi-automatic processes of production, rendered possible by the application of solar energy in place of the toil of human beings, and which thereby releases them for other activities, while at the same time condemning those thus released to a condition of economic indigence, is a system deserving severe condemnation and immediate adjustment. The disastrous result is that those released from the imposed necessity to toil in industrial production instead of being in a better economic position, and the community as a whole benefiting from the increased productive capacity, have become "wageless" and unable to obtain a share in the increased production; hence the entire community has its consuming powers curtailed and is, therefore, unable to supply its members with needful goods and services.

Moreover, it should be noted that the existence of unemployment in a sparsely populated and undeveloped country like Canada is wholly inexcusable. In the opening up of a vast country with such enormous resources there should be no such anomaly as unemployment coincident with poverty. This is expressed with convincing force in The Report of the Economic Crisis Committee of the Southampton (England) Chamber of Commerce, issued in 1933,—

"It is taken for granted that an unemployed person should be destitute and a burden on the rest of the community. He is not engaged in production, neither is he rendering a valuable service. Therefore, it is argued that he should not receive an income to enable him to participate in the economic life of the community except, in so far as this country is concerned, to the extent of not being permitted to starve. Yet any consideration of his position is startlingly paradoxical,—

"Either an unemployed person is without work because we are already producing sufficient without his services being required, in which case he is poor because there is an abundance of goods and services available.

"Or he is in want because the available wealth is not sufficient to provide for the satisfaction of his needs, in which case it is difficult to explain away why his services are not being utilized to produce more.

"Thus, from whatever angle it is viewed, we have the situation of widespread industrial trade stagnation with producers capable of production, and millions in want of the very things which can be produced in abundance."

The fact is that the majority of the people of Canada are in want of the very goods and services which, with the vast resources of the Dominion, could be produced in abundance. Yet they have to surrender a portion of their already inadequate incomes in order to provide those unemployed with goods and services which their unused labour could produce. Such a state of affairs can but be condemned as bordering upon social insanity.

Yet the economic system which is responsible for this yields equally fantastic anomalies in other respects. An outstanding example is taxation.

TAXATION.

There is no more widely detested aspect of the machinery of government than modern taxation. The resentment of taxpayers to an increasing imposition which robs them of a large percentage of already inadequate incomes, and thereby renders them more insecure, has created a situation in which taxation is imperilling the fabric of government and, in Canada, endangering confederation.

The following extract from an editorial in MacLeans Magazine for June 1st, 1937, is indicative of the growing concern regarding the increase in taxation, which is a natural result of the present financial system common to most countries:

"Startling evidence of the extent to which cost of government in Canada has risen in ten years is afforded by a compilation issued recently by the Citizens' Research Institute.

"In 1925 it took $751,685,000 or approximately three-quarters of a billion dollars to operate all Canadian governments.

"In 1935—the last year for which complete returns are available — it took more than a billion. To be exact, $1,091,000,000.

"These figures represent in each case the aggregate current expenditures of Dominion, provincial and municipal governments, including school boards and commissions.

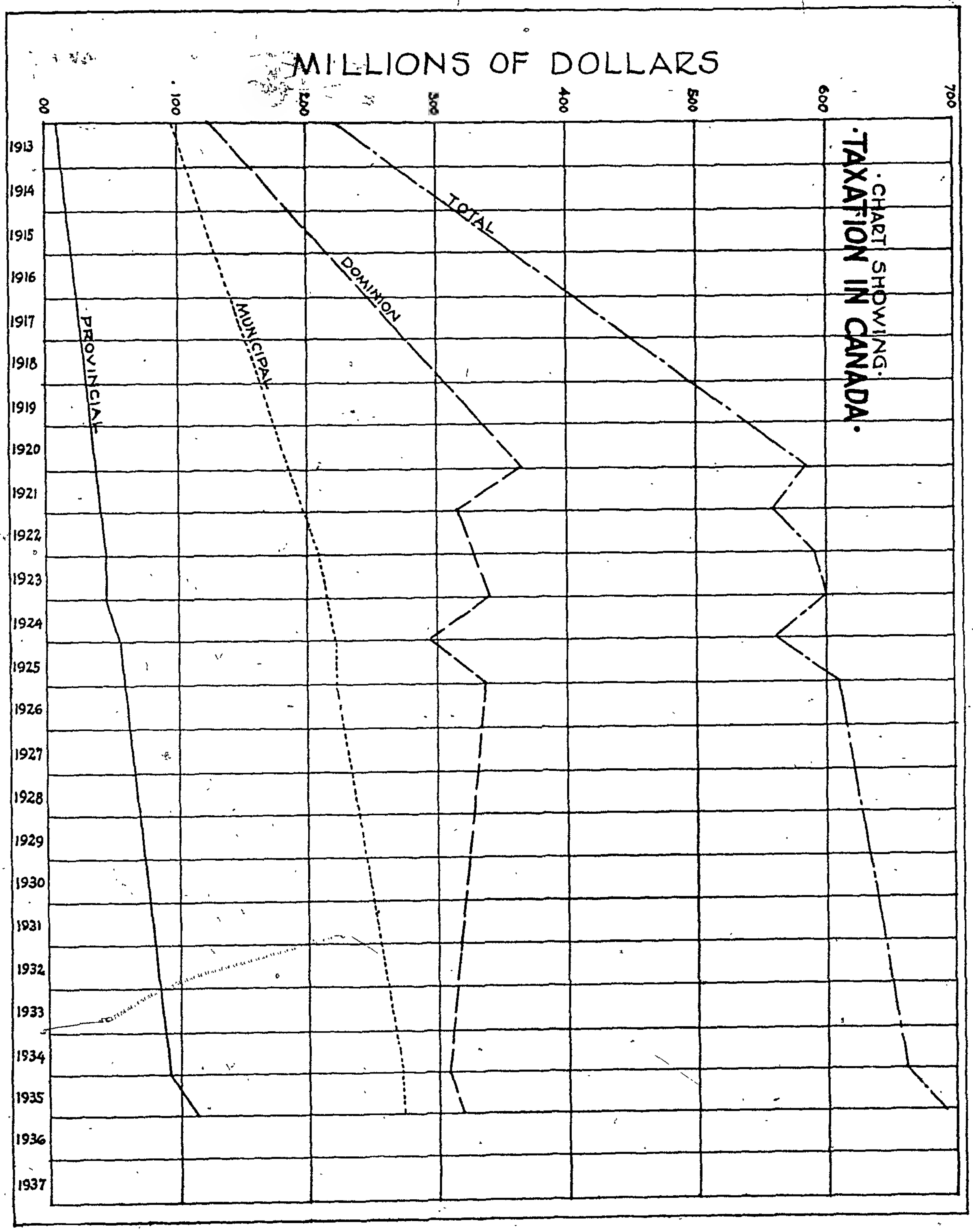
"These are worth pondering.

"During the ten-year period population increased by 18 per cent. Government expenditure advanced 45 per cent.

"In 1925 government expenditure averaged $80.89 per person. In 1935 the bill was $99.66 for every man, woman and child in the country.

"In 1925 cost of government absorbed only 14.3 per cent of the national income. In 1935 government expenditure absorbed 26.6 per cent of the national income.

—Continued on p. 15.


MILLIONS OF DOLLARS
·CHART SHOWING·
·TAXATION IN CANADA·
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300
400
500
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700
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1914
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DOMINION
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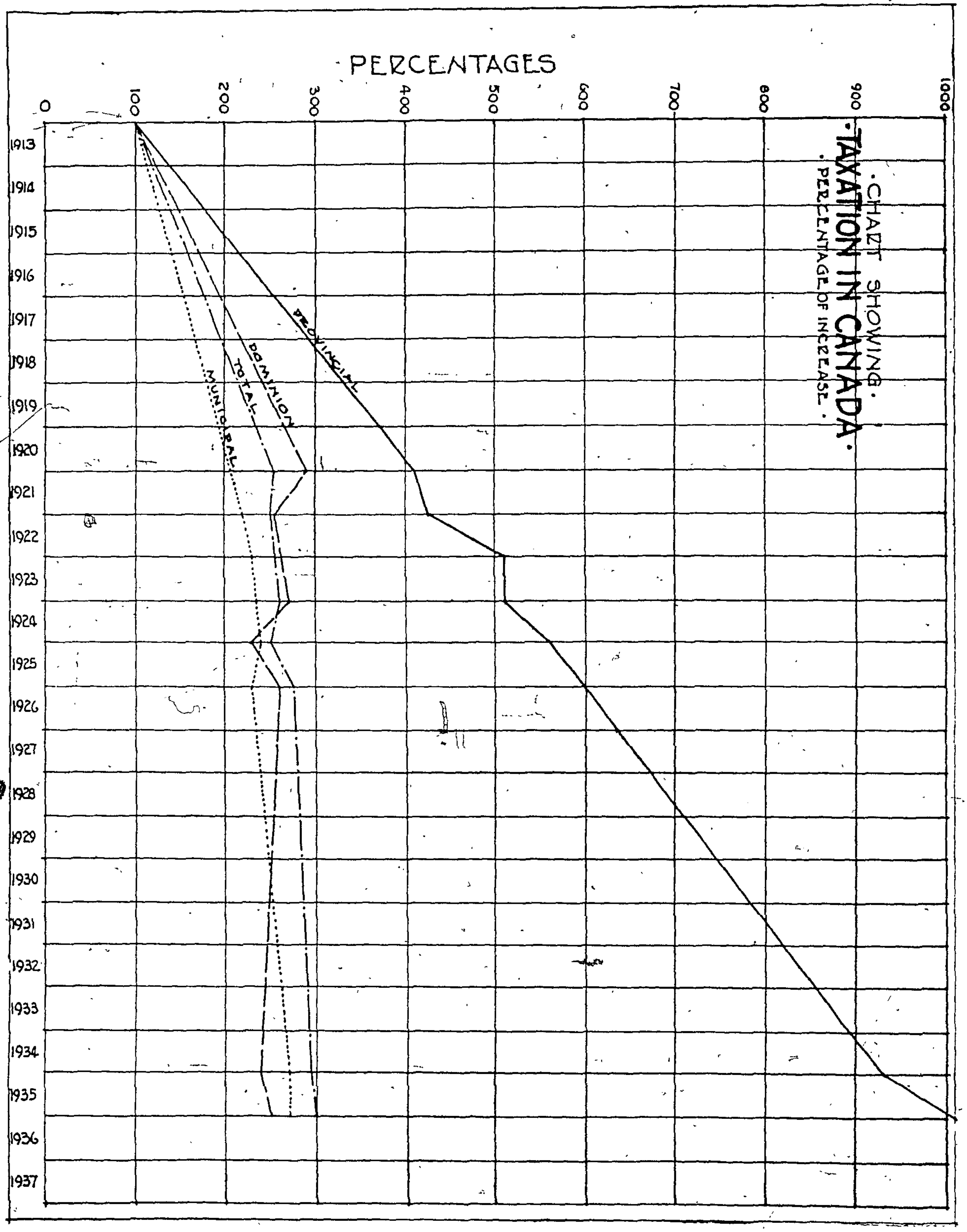
PROVINCIAL



·CHART SHOWING·
·TAXATION IN CANADA·
·PERCENTAGE OF INCREASE·
·PERCENTAGES
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MUNICIPAL

"This means that out of every $100 of income accruing to the people of Canada in 1935, cost of government claimed twenty-six dollars and sixty cents.

"One dollar in every four.

"The only solace to be drawn from this ratio is that it is not as high as it was three years ago. In 1934 the proportion was $31.60 to every $100. Preliminary estimates for 1936 indicate a still further reduction below the 1935 figure.

"This is all to the good. But government costs are still away out of line with those of the 'normal' year of 1925.

"Why the increase?

"Where are we spending the extra $340,000,000?

"Debt charges are one factor. In 1925 they were $220,000,000 (excluding education). In 1935, $311,000,000. That item alone accounts for more than a quarter of the increase.

"Expenditure on education, incidentally, actually declined. During the ten-year period it dropped two and a half per cent, despite the growth of population.

"When it comes to 'Public Welfare', however, there is a vastly different story to tell. Listed under this heading are, health and sanitation, old age pensions, mothers' allowances, hospitals, charitable institutions and direct unemployment relief.

"And between the years 1925 and 1935 government expenditures on Public Welfare expanded from $41,700,000 to $207,500,000, *an increase of 397 per cent.*"

As the figures in the quotation indicate, increasing taxation is very largely the result of increased indebtedness and rising expenditures on social services. It is but another anomaly of the present financial system that as a country becomes wealthier in terms of development of its physical resources, its people become poorer financially—poorer in the sense that with the increase of national wealth, their collective indebtedness increases and this forms an increasing drain on their incomes. An increase in wages does not relieve the situation for them, for yet another feature of the system is that any such income increase must be accompanied by a rise in prices, leaving them in no better position. In fact an increasing debt structure with rising prices places the people in a worse position, for when the rise in prices has to be checked by deflationary action, an economic depression with all its consequences is precipitated.

Similarly a system which condemns to destitution those who become unemployed because of progress in productive processes renders it necessary for governments to seek increased revenue for social services to relieve the resulting indigence. However, a government dare not increase taxation beyond certain limits, and it is driven to yet further borrowings. This, in turn,

demands still further revenue for interest and sinking fund purposes—and so the vicious spiral continues presumably until the situation becomes intolerable and the system breaks down.

The limit of human endurance to the acceptance of modern taxation methods is being reached in Canada—and in particular in the Prairie Provinces. Dominion, provincial and local taxes have reached a point where the taxpayer cannot meet the demands being made upon him. Tax arrears accumulate and the consequent result is inadequate revenue for the government authorities concerned, and rebellious resentment of an over-taxed public. Yet every government throughout the Dominion is faced with a totally inadequate source of revenue.

Monetary inflation is no cure for such a situation—for inflation is essentially an increase in money supply with a corresponding or greater increase in the price level. Any such increase in prices imposes upon governments the necessity to obtain additional revenue. The only easment that would result would be in respect of fixed debt charges. However, even this temporary advantage would be offset by the consequences of an attempt to check the rising price level by orthodox means of deflation.

An examination of taxation from a common sense point of view—that is from an aspect of the physical realities involved—yields the inescapable conclusion that modern taxation methods are as unnecessary as they are socially undesirable and dangerous.

Taxation is a device whereby a governing body secures revenue to carry out public services. The purpose of this revenue is to provide incomes to those serving the community and to obtain materials for certain public works. (For the moment debt charges are excluded as this subject is examined fully later.) Those serving the community in government service require incomes to obtain goods and services. In short, by means of taxation the community as a whole surrender claims to goods and services, and these are redistributed to those rendering public service or are used to secure materials for public works or to enable the indigent to obtain a share in the products available.

It will be observed that this pre-supposes that there is a limited supply of goods and services available to the community, and that monetary claims on this are distributed to those members of the community who receive incomes from economic activity. On such an assumption it is obvious that the requirements of government must be obtained by those in receipt of such monetary claims on an equitable basis—and taxation is designed to achieve this.

But the assumption is incorrect. The basic premise on which the structure of taxation is built is wrong. We know that

in Canada, for instance—and this applies particularly to Alberta —the potential capacity to produce goods and services is many times greater than present production. The goods and services which *could* be produced, but the production of which is at present restricted, would provide a source from which the requirements of all who are giving service to the public could be supplied, without taking from the already inadequate amount available to the people at present. In short, there is no *physical* reason for taxation as operated at present.

This in itself is sufficient evidence to condemn the entire system of modern taxation. It can hardly be argued that the human mind, which has given mankind the amazing inventions available to us, would be incapable of devising a system which will reflect physical facts, instead of denying them and thereby causing unnecessary hardship and endangering the fabric of social life.

However, condemnation cannot be confined to the system of taxation, for this is but an expedient to which governments are driven under stress of the financial system. The inexplicable anomaly of indigent unemployment in an economic environment of abundant potential productive resources, the widespread poverty, throughout the Dominion and every industrialized country, the growing insecurity and the loss of freedom resulting from the fantastic debt structure and economic stress all go to indicate that the disease is rooted in the financial system.

THE ROOT CAUSE OF OUR TROUBLES FINANCIAL

It is apparent that there is nothing very amiss with our ability to produce. This Province and the entire Dominion have resources sufficient to provide complete economic security for every man, woman and child within their respective boundaries.

Shops can be filled as fast as they are emptied, stocks can be replenished as fast as they are depleted. All the factories, all the roads and all the houses which the people may require can be built. The problem is to obtain markets for production. Every producer knows this, yet consumers cannot obtain access to the limited production at present coming on the market. Not that the desire to purchase the goods does not exist. The desire and the want are there, the knowledge and the resources to satisfy the want are there also, but the people cannot get the goods because they do not possess the money to buy them.

From whichever angle the matter is approached it is obvious that there is some radical defect in our financial system, which results in production being restricted in the midst of want, in huge debts with no possibility of ever meeting them, in increased

taxation beyond the people's ability to pay, and generally in that state of affairs which is termed "poverty amidst plenty".

The financial system of Canada is basically the same as the financial system of most countries. Any differences which may exist are of minor importance and do not affect the system as such.

Like other countries, the financial system of Canada is controlled through a central bank—the Bank of Canada, which by its manipulation of currency issue and by its open market operations can direct the entire financial arrangements throughout the Dominion. This is reviewed in the next chapter.

CHAPTER III.

The Financial System

Before proceeding to a further investigation of the financial system as a whole, it is desirable, particularly, to consider the nature of money.

Money has been defined as anything which, no matter of what it is made, nor why people want it, has reached such a degree of acceptability that no one will refuse it in return for his product, if he is a willing seller.

Money was originally, and still remains essentially, tickets or instruments of a recording system, whether in the form of metal discs, stamped bills or pieces of paper representing merely figures recorded in ledgers which are transferred from one account to another. It is its *function*, and not its form, which is all important. Its function is to facilitate and to stimulate the proper fulfillment of economic activity, namely, the production and distribution of goods and services as, when and where required. It contributes also towards the achievement of the overriding social objective of gaining maximum personal security and personal freedom for all. That money has become divorced from its true function is only too apparent from the fact that the financial system which has been operating for a number of years has yielded the opposite results to the social objective desired.

In Canada, as in other countries, the basis of the monetary system is cash—or tangible money.

This consists of notes and coins. Control of the issue of these rests with the Bank of Canada—and, in the circumstances which exist, full responsibility for the operations of the Bank of Canada must be assumed by the Dominion Government, which purports to exercise an over-riding control.

However, the cash controlled by the Bank of Canada is but a part of the money which serves the requirements of the Dominion. This part is used for but a small fraction of money transactions. The greater amount of purchasing and trade payments is carried out by the non-tangible form of money termed financial or monetary credit. This is done by means of "orders to pay", familiarly known as "cheques", which transfer figures representing money from one account to another in bank ledgers.

Money, as tickets to goods, is related to them by means of a costing system of prices. The goods come on the market at

certain prices, and these prices determine the number of monetary units which will purchase an article. Purchasing power is the ability of the consuming public to meet these prices of goods with money.

It follows that, in order to purchase its production, the total money available to a community as purchasing power must at any given time equal the total prices of goods for sale on its markets.

Now, the entire arrangements for the issue and distribution of money is in the hands of the banking system, consisting of a central bank controlling and dominating a network of centralized commercial banks. These institutions have monopolized the issue of money; *i.e.*, all money issued to the public is created by the banks, and moreover, all money is issued to the public as a debt owing to the banks and repayable on demand to them.

Prior to the establishment of the Bank of Canada as the central and controlling institution, the Dominion Government and the commercial banks issued currency notes. That is to say, they alone were legally entitled to print and issue pieces of paper which passed as money. However, this right has been curtailed so far as the banks are concerned and gradually the right of note issue is being centralized in the comparatively newly-created Bank of Canada, thus giving the Bank of Canada complete control of the financial structure.

The legal tender or currency forms the basis for the much larger proportion of money issued in the form of financial credits. Apart from a statutory obligation to maintain a reserve of not less than 25 per cent of its note issue and of its deposit liability in Canada in gold coin, bullion, foreign exchange, securities of the United Kingdom and United States and bills of exchange (the two latter categories having certain limitations), the Bank of Canada may issue notes to any amount. In the main it controls the note issue by buying or selling securities in the open market and discounting securities and commercial bills. In short, it obtains an obligation for the payment of money by the community in exchange for issuing pieces of printed paper which form the basis of the country's money supply—thus currency is issued as a debt which the bank can recall by the sale, in the open market, of securities against which it was issued.

This tangible money or currency forms the small change in the monetary transactions of the community. Some of it remains in constant circulation. The balance remains in the tills of the banks and forms the base for the main monetary issue of financial credit.

This intangible credit money is created and issued by the commercial banks, mostly in the form of loans to customers and,

to a much smaller extent, in purchasing securities and discounting bills. By experience and tradition banks usually confine their issues of financial credit to about nine times their cash holdings and deposits with the central bank. The manner in which this is done has been admirably stated in the Report of the MacMillan Committee of Great Britain on Finance and Industry in 1931. In sections 74-76 it states,—

"74. It is not unnatural to think of the deposits of a bank as being created by the public through the deposits of cash representing either savings or amounts which are not for the time being required to meet expenditure. But the bulk of the deposits arise out of the action of the banks themselves, for by granting loans, allowing money to be drawn on an overdraft or purchasing securities a bank creates a credit in its books, which is the equivalent of a deposit. A simple illustration, in which it will be convenient to assume that all banking is concentrated in one bank, will make this clear. Let us suppose that a customer had paid into the bank £1,000 in cash and that it is judged from experience that only the equivalent of 10 per cent of the bank deposit need be held actually in cash to meet the demands of customers; then the £1,000 cash received will obviously support deposits amounting to £10,000. Suppose that the bank then grants a loan of £900; it will open a credit of £900 for its customer, and when the customer draws a cheque for £900 upon the credit so opened that cheque will on our hypothesis, be paid into the account of another of the bank's customers. The bank now holds both the original deposit of £1,000 and the £900 paid in by the second customer. Deposits have thus increased to £1,900 and the bank holds against its liability to pay out this sum (*a*) the original £1,000 of cash deposited, and (*b*) the obligation of a customer to repay the loan of £900. The same result follows if the bank, instead of lending £900 to a customer, purchases an investment of that amount. The cheque which it draws upon itself in payment for the investment is paid into the seller's bank account and creates a deposit of that amount in his name. The bank, in this latter case, holds against its total liability for £1,900 (*a*) the original £1,000 of cash, and (b) the investment which it has purchased. The bank can carry on the process of lending, or purchasing investments, until such time as the credits created, or investments purchased, represent nine times the amount of the original deposits of £1,000 in cash.

"75. The process is much the same when we remove the assumption that there is only one bank. The credit granted by one bank may reach the accounts of customers in another bank. There is thus established a claim by the second bank upon the first for cash, and the ability of the second bank to grant loans is improved in so far as that of the first bank is reduced. Over the banking system as a whole, therefore, loans and investments made by the banks increase their deposits. There is, however, a limitation on this process. A bank which is actively creating deposits in this way will

naturally find that a considerable part of the cheques drawn against them will be in favour of other banks. It will thus lose part of its cash reserve to those banks and must proceed to limit its loan operations if its normal cash ratio is to be maintained. In practice, therefore, no one bank can afford to pursue a policy of creating deposits by making loans or investments which is much out of line with the policies of other banks.

"76. The cash which the banks hold is partly in the form of bank notes and coin maintained in tills and reserves to meet current demands by customers and for exigencies, and partly in the form of a deposit with the Bank of England—the bank of the bankers. The latter credit affords first the means of settling day to day balances between banks and secondly the means of obtaining any further supplies of notes or coin that they may need for current use. A further cash item is represented by balances with other banks and cheques on other banks in course of collection. These claims on other banks, which are settled within a day or two, usually amount to about 3½ per cent of the deposits, varying of course with the amount of business done by the bank."

Latterly there has been considerable argument on this question of financial "credit creation" by the banks and in this connection it is interesting to note the following categorical statements of two outstanding orthodox authorities:

(1) "The essential and distinctive feature of a 'bank' and a 'banker' is to create and issue credit payable on demand, and this credit is intended to be put into circulation and serve all the purposes of money. A bank, therefore, is not an office for borrowing and lending money, but it is a manufactory of credit. The student must, therefore, carefully observe that, in the language of banking, a deposit and an issue are the same thing. A deposit is simply a credit in a banker's book giving the customer the right of action against him for a sum of money. . . ."

—*Theory and Practice of Banking,* by H. D. Macleod.

(2) "When a bank lends it creates money out of nothing. The borrower becomes indebted to the bank for a sum to be repaid in the future with interest and the bank becomes indebted to the borrower for a sum immediately available."

—R. G. Hawtrey, Assistant Secretary, H.M. Treasury of Great Britain, in *Trade Depression and The Way Out*".

The following extract from "Cash and Credit" by D. A. Barker (Cambridge University Press), gives a clear explanation of the manner in which the financial credit system, not only in Britain, but in Canada and every other country with an orthodox banking organization, operates:

"We must now consider the nature of the business transacted by a typical banking institution situated at a monetary centre such as that described in the last chapter, and for such information we turn naturally to the balance

sheets periodically issued by the bank for the benefit of the public. These balance sheets, however, contain on both sides details which are not essential to the limited scope of this chapter and which may, therefore, for our present purpose, be omitted. In its most simplified form the balance sheet may be represented as follows:

Liabilities		Assets	
Deposits of customers	£20,000,000	Cash	£ 4,000,000
		Investments	2,000,000
		Loans to customers	14,000,000
	£20,000,000		£20,000,000

"To avoid the complications which would arise if we had to consider transactions between many different banks, we will suppose that this represents the consolidated balance sheets of all the banks at our monetary centre; the items shown here being simply the totals of similar items in the individual balance sheets. The total liability of all the banks, then, amounts to £20,000,000 and against this liability they can show £4,000,000 of actual cash, £2,000,000 invested in securities, and £14,000,000 lent to customers.

"Firstly, then, as to the item 'deposits of customers',—

"To the average non-commercial man a bank is merely an agency for keeping his spare cash and for collecting the money due on cheques payable to him. For him, a 'deposit' really is a deposit, and the use of such a word naturally leads him to believe that the sum of £20,000,000 entered under this description has actually been deposited in the banks by their customers. But the nature of his mistake is revealed by considering the case of the commercial man who wished to borrow from a bank. This would-be borrower, we will suppose, is an enterprising man and asks for a good round sum, say, one million sterling; in which request the bank manager good-naturedly acquiesces. Having obtained his loan, the borrower has to decide what to do with it. He might, in very unusual circumstances, ask for cash down, but, as a general rule, the bank will give him a credit on its books, and he will draw cheques against that credit as necessity arises. What will be the effect of this transaction on the balance sheet? If he asks for cash the item 'cash' will be reduced by one million sterling and the item 'loans to customers' will be increased by a similar amount, thus,—

Liabilities		Assets	
Deposits of customers	£20,000,000	Cash	£ 3,000,000
		Investments	2,000,000
		Loans to customers	15,000,000
	£20,000,000		£20,000,000

But if he merely accepts a credit in the bank's books the change will be as follows:

Liabilities		Assets	
Deposits of customers	£21,000,000	Cash	£ 4,000,000
		Investments	2,000,000
		Loans to customers	15,000,000
	£21,000,000		£21,000,000

"In this latter case we see that there has been a change on both sides of the account, and that the items 'deposits of customers' and 'loans' have both been increased to the extent of one million pounds. This is, then, the important point, that a loan by the bank to a customer increases the item 'deposits', and that 'deposits', therefore, are not made up, as they might seem to be, merely of idle balances and savings, but also of credits given by the bank.

"But we have not yet arrived at the end of the transaction. The borrower would not have asked for a loan unless he wishes to spend the money, so we may presume that he will shortly draw cheques on the lending bank to the amount of one million pounds. In consequence of this, his credit for one million will be extinguished and the amount of 'deposits' of customers at that bank will be reduced by a similar amount. But if, as will very likely be the case, the cheques drawn by the borrower are payable to residents in the same monetary centre, the recipients of the cheques will send them to banks of this centre and the amount of customers' deposits at these banks will be increased by the sum of one million pounds. Considering all the banks of this centre as one, we see, therefore, that the consolidated balance sheet will still show 'deposits of customers' to the amount of twenty-one million pounds. It may be objected that some of the cheques drawn by our millionaire borrower might have been sent to persons resident in the country and paid by them into a country bank. But even then, owing to the tendency of money to collect at the monetary centre, the country banker would probably use the cheque to obtain a credit for that amount with his central agent, and the result would be the same as if the cheque had originally been paid into one of the central banks. Even if the borrower wishes to use his credit to pay a creditor living in a foreign country he will do so by buying a bill on that country from a bill-merchant, and will pay for the bill with a cheque. The bill-merchant will pay that cheque into his banking account, and so, as before, the sum total of customers' deposits remains at the amount of twenty-one million pounds. Twist the matter as we may, the loan of one million has increased customers' deposits by an equal amount."

CHAPTER IV.

A Faulty Financial System

In order to understand the operation of the financial system it is necessary to have a background in regard to how production is financed and the manner in which the system of money operates to distribute the proceeds of economic activity.

The productive system—which, for purposes of this examination is taken to include all production, distribution and transport organizations—serves a threefold function. It produces goods and transports them to the points where they are wanted; in the process it distributes purchasing power in the form of wages, salaries, profits and dividends; and it collects expended purchasing power through the agency of prices when the goods have been delivered to the public for consumption.

In the first instance, money originates as loans from the banks to producers, and is then distributed to the public through the productive system. Having served its purpose in getting goods to the consumer, it is collected and returned to the banks in repayment of their loans.

The process is summarized in the Report of the Economic Crisis Committee of the Southampton (England) Chamber of Commerce, to which previous reference has been made,—

> (*a*) Industry mortgages its capital assets and secures the money necessary to enable it to pay wages, salaries, buy raw material and meet its overhead costs in the form of credit loans from the banking system.
>
> (*b*) In the process of producing goods, it distributes wages, salaries, dividends, and profits which filter through as money incomes to the entire community.
>
> (*c*) The goods subsequently come on the market with price labels attached to them to include all the costs of production.
>
> (*d*) The community acquire the goods in return for their money, which filters back through the productive system for the cancellation of the credit loans originally created by the banking system.

The important feature to be noted in this arrangement outlined above is that a producer or distributor, whether he is operating on bank loans or on his own reserve of capital, must recover through prices *at least* all the costs which he has incurred, otherwise he will be unable to repay his loan or replace his working capital.

Therefore, while the upper limit of prices will be determined by "what an article will fetch", as it is termed, the lower limit of prices is determined by cost. In a highly competitive system the limiting factor of cost is the more important.

In the process of producing goods and marketing them, the productive system distributes incomes in the form of wages, salaries and profits. Collectively these incomes form the "purchasing power" of the community. This purchasing power will vary according to the amount of money distributed in the processes of the production and of the marketing of goods for consumption in relation to the prices charged for those goods.

Once the consumers part with money in exchange for goods, in the aggregate and apart from that portion of price which represents the final sellers profit, this money will cease to be purchasing power. It will go either to repay a bank loan or to replenish depleted capital. In both instances the money is immobilized as purchasing power, and can be reissued as such only in respect of new production coming on to the market.

In passing it should be noted also that all money saved is immobolized purchasing power during the period of saving.

Owing to the manner in which money is distributed to the community, somewhere in the productive system costs have been carried into prices to an amount of such savings and, therefore, the act of saving leaves these goods coming into the market without purchasing power to liquidate the corresponding costs. The effect of the investment of such savings is realt with later.

Modern productive methods involve serial production, that is to say, a product goes through a number of processes. Between the stages all the costs incurred, including wages, etc., go into price as the product moves from one process to the next. The total costs incurred throughout have to be recovered in the final price of the product when it comes to the consumers market.

At this point it is necessary to digress for the purpose of considering another aspect of the question. It has been shown that the public becomes indebted to the banks for all money issued to it. In the main this is issued in the form of loans for productive purposes—and the banks charge interest on these loans. It will be obvious that unless the public are *given* the money to pay this interest beyond the amount distributed by the bank as salaries and dividends, they are in the impossible position of being required to surrender money to the banks which they do not possess. In other words, as all money is issued in the form of loans—in the last resort—and interest has to be paid on these loans, the amount required to be repaid to the banks must always

be in excess of that issued. This must result in the public becoming increasingly indebted to the banks.

Again, producers do not distribute money beyond the ordinary costs of production. Yet they must recover all these costs and, in addition, a profit as wages for their service to the community. Because of the serial processes in production, in theory, primary producers are reimbursed by those taking over the semi-processed product against which credit loans are made by the banks. But this is not true of the last person in the chain —the final retail distributor. He must try to obtain more money from the public than has been distributed to it—for, in addition to all incomes distributed and forming part of the ultimate cost which determines price, he has to endeavour to collect a profit.

However, these obvious flaws which result in the distribution of inadequate purchasing power to enable production to come on the market and all costs to be liquidated in the process, are but insignificant beside a glaring fault in the financial system which, if permitted to continue unchecked, is likely to bring about the collapse of the entire economic structure of civilization.

The section which follows is devoted to an examination of this fundamental aspect of our financial system.

A SHORTAGE OF PURCHASING POWER

Production falls into two groups—capital goods and goods for ultimate consumption.

The purpose of production is to provide consumers with ultimate commodities. Capital goods—factories, plant, tools, railways, etc.—are but the means for gaining more efficient production of ultimate goods and transferring these to consumers.

The public acquire their purchasing power from the wages, salaries and profits distributed in the production of both types of goods. As shown earlier these payments originate in loans from banks, and these loans are repaid when the public surrender their money in return for goods.

The purchasing power distributed to the public as wages, salaries and profits, whether in respect of capital production or the production of consumers' goods, must be ultimately recovered by the producer through prices. However, the costs of capital goods production are collected over a period of years; in most cases through the depreciation and replacement charges carried into the prices of ultimate commodities. Bank loans are, in the main and apart from the financial credits released by the purchase of securities by banks, made for short terms. This is demonstrated in the following table showing total deposits and total bank clearings for the years 1933 to 1936, inclusive:

Year	Bank Clearings (Canada)	Bank Deposits (Canada)
1933	$14,720,611,029	$2,236,841,539
1934	15,964,625,887	2,274,607,936
1935	16,922,482,123	2,426,760,923
1936	19,206,136,676	2,614,895,597

Reference—Re Bank Clearings: "Monetary Times", 1938. Re Bank Deposits: "Canada Year Book", 1937.

These figures indicate that after making full allowance for all the factors involved, the average credit cycle—the life of a bank-created credit loan—is only a few weeks.

Therefore, financial credits in the form of bank loans are not available for financing capital production until its costs can be collected through prices.

Capital production is financed by savings and investment. Even if the various processes of capital goods production are financed by short-term bank loans, they are established on a basis of permanency by the savings of the community being invested in the undertaking. For example, the production of bricks, machinery, and so forth, might be financed by short-term bank loans, the wages, salaries and profits flowing into the "purchasing power pool" of the public. But the erection of the factory is finally effected by the public investing their savings in the undertaking. The result of this is to take back from the financial resources available to the public as purchasing power, all that was distributed to it through wages, etc., in the production of the capital goods involved, and the money goes to repay the short-term bank loans, thus leaving the public with a factory, but no money equivalent to its cost value.

The public owns a factory, but there is nowhere in their possession the money or financial credit equivalent to its cost. Presumably the theory is that there need not be as the public have, in effect, purchased a factory and therefore the equivalent amount of purchasing power should be immobilized or cancelled. However, this view is fundamentally false, for having already paid for the factory once (by savings drawn from the community's pool of purchasing power for investment), the public are charged with its cost again in the depreciation and replacement charges included in the price of the ultimate products produced. In short, while the cost of the factory is debited to the community as it wears out, at no time is the community provided with the financial credits for liquidating the debt. And this is true of all capital production.

A more accurate conception of the effect of this feature can be obtained by bearing in mind the dynamic nature of economic activity. This can be viewed as a flow—and relating this to the

two chief functions of the productive system, we can imagine two streams; the first a stream of goods bearing prices made up of all the costs involved in production, including depreciation on costs in respect of capital assets; and the second is a stream of purchasing power (wages, salaries and profits), which is being continuously depleted by savings going to finance new production higher up the stream. It will be readily seen that the rate of flow of prices attached to goods coming on the market will be greater than the rate of flow of purchasing power to the public.

While the foregoing indicates the manner in which a chronic shortage of purchasing power is caused, it does not reveal the extent to which this defect exists. Owing to the complicating factors in considering a dynamic economic structure, the proposition is not easy to grasp, but the matter is of such tremendous importance that it is well worth the close study which it demands.

In order to simplify the argument let us consider a period of, say, a year, without reference in the first instance to what has happened in preceding years in regard to the factors involved. During the year the community will receive as purchasing power the wages, salaries and profits distributed during the production and distribution at all stages of both capital and ultimate consumers' goods.

An amount of purchasing power at least equal to that distributed in the production of capital goods will be absorbed by capital investments, for it is only by the investments of the community, either directly or indirectly, that these capital products will be placed on a basis of permanency, and this is the purpose for which they are produced.

Also, purchasing power distributed during all stages of production and distribution of ultimate consumers' goods constitute costs which must be recovered through the prices of these goods.

Therefore, the entire purchasing power distributed during this period will be absorbed—by capital investments and in respect of the purchase of ultimate consumers' goods.

In other words, in any such period the community is required to surrender purchasing power equivalent to the price value of its total production for the period.

However, in considering the matter in regard to a period isolated from a continuous process, allowance must be made for the specific factors involved not necessarily taking place within this selected productive period—but the purchasing power distributed in this period will, unquestionably, be absorbed in respect of the total production for the period, as shown above.

We must next observe that the costs of capital production will be carried forward and will enter into the prices of future production of ultimate consumers' goods, but since the entire purchasing power distributed to the community via wages, etc., has been absorbed during any given period, these capital costs can never be met out of purchasing power.

Yet, this is not all. Similar costs carried forward from past capital production will enter into the prices of goods produced during the period under review. Morever, these costs will be included in the prices of capital, intermediate and ultimate products. Obviously they cannot be met with the purchasing power distributed. The resulting deficiency of purchasing power must be carried forward as an accumulating debt if the products are to be marketed.

In considering this question it is well to bear in mind that money saved and invested, even if redistributed, ceases to be purchasing power in relation to the costs which its original distribution created. It will be redistributed only in respect of *new* production involving the creation of *new* costs. However, as all money reaches the community in the form of loans from the banking institutions, the surrender of purchasing power generally results in the cancellation of the money by the repayment of bank loans—and, in the final analysis always does so.

An argument which has been advanced against these contentions is that the inclusion of capital costs in the prices of ultimate consumers' goods in depreciation and similar charges does not cause any shortage of purchasing power as concurrently the products to make good the depreciation are being produced and wages, etc., are being distributed in the process. This argument is not tenable. In the first place it ignores the time factor, for the capital costs carried into prices of ultimate consumers' goods are for the purpose of creating reserves in advance of replacements for depreciation. In the second place, the argument ignores the fact that the prices of goods to replace worn out capital products are similarly loaded with past costs. In the third place, no account is taken of the fact that the provision made for depreciation is disproportionate to actual capital goods replaced on account of the rate at which industrial expansion takes place.

However, any doubts about the matter will be removed by approaching it from another angle.

As economic progress in our time is accompanied by capital expansion, the accumulation of capital production costs carried forward for liquidation into prices of future ultimate goods increases progressively from year to year. It follows that in order

to meet this increasing volume of capital charges appearing in the prices of ultimate goods, the community should have an increasing amount of money from year to year. A more or less fixed quantity of money would provide only for a non-expanding economy. It would be indicative of a condition in which the community's total production and total consumption of capital and ultimate goods are balanced from year to year.

However, knowing that our economic structure is expanding and that production from year to year is in excess of consumption for the corresponding period—the accumulating unconsumed capital production being carried forward—if we find the quantity of money available to the community does not reflect this, but has remained more or less stationary, it is proof that the purchasing power available to the community has been insufficient. Reference to bank deposits for, say, the last twenty years, will reveal that they do not show a steady and cumulative increase. In fact they do not even reflect stability.

There can be no possibility of doubt, if the evidence is examined dispassionately, that the present financial system produces a chronic and increasing insufficiency of purchasing power.

Reference back to the manner in which this defect arises will show that in any period of time the community is, in effect, charged for its total production, leaving it without the monetary capacity to meet the costs of unconsumed production carried forward for liquidation into the price of future production. When it is realized that with the improvement in processes with industrial progress, the ratio of capital charges to direct labour costs in the computation of prices is increasing very rapidly (the former being as much as 100 times the latter in some instances), there is little wonder that economic chaos as a result of definite purchasing power is threatening all industrial countries.

The minor defects in regard to bank interest and a portion of the profit element in prices are insignificant compared to this major defect. The chronic and increasing shortage of purchasing power provides a complete explanation of the economic plight of the world frequently described as poverty amidst plenty, the accumulation of huge and mounting debts, schemes of deferred payments for purchases, and all the major features of the present situation.

"But," it will be asked, "if such a glaring defect in the system exists, why did it not break down long ago?"

A DEBT-CREATING SYSTEM

To gain an understanding of why it has been possible for the system to operate so long, it is necessary to consider the growth of industrialization. It is since the expansion of industry and the development of power production that capital costs have become such an important factor in the price system. And with industrial progress this characteristic has become of increasing importance, so that the defect in the system has become more and more pronounced.

Even in the early days of the industrial revolution in Great Britain, the inherent defect in the system was very noticeable. A chronic shortage of purchasing power would be expected to result in goods being unsaleable on the markets. This would create a tendency towards capital production at the expense of ultimate goods production, thereby providing a distribution of purchasing power without this being immediately carried into prices. While this would temporarily relieve the situation it would result in a rapid piling up of debt in connection with production costs which could not be met by the community. These were the factors which became evident even at the beginning of industrialization.

Producers finding it impossible to sell in the home market owing to the inadequacy of purchasing power, concentrated on foreign markets. But it was useless to export goods to obtain goods in return since these would have been equally unsaleable on the home market. Therefore Great Britain resorted to foreign lending. The goods were shipped to other countries and instead of receiving payment for them in goods these countries became indebted to her.

This process was accelerated as other countries became industrialized and were driven for the same reasons to concentrate on foreign markets. This led to keen competition between nations to export their goods and get other countries into debt to them. It was the only way in which they could keep their economic system going.

From time to time the situation became so difficult that a crisis was precipitated. Markets were choked with goods which could not be sold, production slackened, bank loans were curtailed, workers were dismissed, wages and prices fell, accompanied by bankruptcies, suicides and all the familiar features of economic depression until the fall in prices reached a point were exports could again compete with those of other countries. Then production was resumed, wages increased and under the stimulus of buying, prices tended to rise and the situation moved towards a boom, only to be followed later by another depression. Meantime the debt structure continued to increase.

Here then is the complete explanation of so-called cyclical depressions and booms.

The war of 1914-18 greatly accelerated the process—for nations at war were forced to expand their industries by the exigencies of the situation in which they found themselves— and at the end of the war a very much more industralized world immediately settled down to rapid economic expansion under so-called peace conditions, saddled with enormous debts representing costs of production which had been destroyed in fighting each other.

No sooner had the war of destruction ended than the war for foreign markets commenced. Nation began to fight nation for export markets—not that their people at home did not require the production, but simply because the goods were unsaleable there. Owing to the stimulus to industrial development caused by the war, foreign markets were fewer and competitors for them were more. Also, the productivity of all countries having increased, the pressure for exports was greater. The growing struggle for markets abroad led to devices for forcing exports into other countries, such as subsidies, export bonuses and so forth. Similarly the growing stringency of the home market led to all sorts of devices like tariffs and embargoes to be employed to keep out the exports of other nations.

In short, within a few months of the cessation of warfare, the nations of the world were engaged in bitter economic combat—until in 1929-30 there was a spectacular crisis which shook the foundations of the economic structure of most countries and brought foreign trade almost to a standstill.

Meantime the crass stupidity of the state of the world became apparent to increasing numbers. Though the world was equipped to produce abundance, poverty and insecurity were the order of the day. It was widely recognized that the inevitable outcome of economic warfare would be armed conflict. After they had tried every conceivable expedient, disillusioned producers and business executives began to recognize that something was radically wrong with the present financial arrangements of the economic system. Debts continued to mount—bankruptcies and suicides increased—taxation rose steeply—international financial arrangements broken down—revolution and internal disruption rent countries—until the situation has developed towards a world catastrophe which threatens to destroy the very structure of our civilization.

The following quotation from the exhaustive investigation of the subject, *Profits*, by Messrs. Foster and Catchings (Pollak

Foundation for Economic Research) is deserving of close consideration, as it provides independent evidence of the chronic shortage of consumer buying power, and the expedients by which the system is being prevented from total collapse at the present time:

"This, then, is the conclusion of our argument: Progress towards greater total production is retarded because consumer buying does not keep pace with production. Consumer buying lags behind for two reasons: First, because industry does not disburse to consumers enough money to buy the goods produced; second, because consumers under the necessity of saving, cannot spend even as much money as they receive. There is not an even flow of money from producer to consumer, and from consumer back to producer. The expansion of the volume of money does not fully make up the deficit, for money is expended mainly to facilitate the production of goods, and the goods must be sold to consumers for more money than the expansion has provided. Furthermore, the savings of corporations and individuals are not used to purchase the goods already in the markets, but to bring about the production of more goods. Under the established system, therefore, we make progress only while we are filling the shelves with goods which must either remain on the shelves as stock in trade or be sold at a loss, and while we are building more industrial equipment than we can use. Inadequacy of consumer income is, therefore, the main reason why we do not long continue to produce the wealth which natural resources, capital facilities, improvements in the arts, and the self-interest of employers and employees would otherwise enable us to produce. Chiefly because of shortage of consumer demand, both capital and labour restrict output and nations engage in those struggles for outside markets and spheres of commercial influence which are the chief causes of war.

"HOW WE HAVE FARED AS WELL AS WE HAVE

"To many people our argument may seem to prove too much. How, they may ask, has it been possible to make the great material progress which is evident on every hand? In the United States, during the past century, the output has doubled again and again; railroads have spanned the continent; great cities have grown up on barren plains; electric lights, telephones, automobiles, phonographs, motion pictures, radio sets, and thousands of other achievements of science and industry, which were wholly unknown a generation or two ago, are now in widespread use. If it is true that the flow of money to consumers is insufficient to buy the output of industry, how has this great output been disposed of?

"To a large extent, let us note at once, by methods which are evils in themselves, necessary evils, it seems, on account of deficient consumer income. Some of the stocks which could not be sold have been allowed to spoil or become

obsolete. Others have gone into large, permanent increases in inventories. Still others have been wasted in making additions to industrial equipment far beyond the requirements of the markets. The exact extent of this waste is unknown; but it would certainly be understating the case to say that products to the value of a billion dollars a year are used in creating capital facilities which are never justified by the demand of consumers.

"Larger still are the stocks of commodities which are sold at prices which entail business losses; and such losses, as we have seen are extensive. Indeed, the chief means of getting business under way after a depression is selling stocks at prices which not only wipe out all the gains of tens of thousands of men but also set back industry as a whole. This method not only discourages the competent leaders who survive, and not only eliminates the incompetent ones who ought to be eliminated, but also eliminates many of the competent who, in the interests of society, ought to be retained and encouraged. Thus business losses are borne by the community as well as by individuals.

"Another evil which has offset part of the deficiency of money incomes is a large, permanent increase in consumer debts. Much of the output which otherwise could not be distributed, consumers have bought through the extensive mortgaging of their future incomes; and in recent years business has felt obliged to resort more and more to this method of making sales. Such a device, however, which at best cannot be extended indefinitely, is itself to a considerable extent an evil. What people need is the means of paying for goods, rather than the means of acquiring goods for which they cannot pay."

Again the phenomenal increase in the debt structure, in itself sufficient evidence that the financial system is not self-liquidating and that no tinkering with it will remove the evils which it inflicts upon us, is brought out in the following extract from a speech by C. H. Douglas, delivered in 1935 to the Oslo Merchants' Club before H.M. the King of Norway:

"In the 17th century, the world debt—and we have pretty accurate figures with regard to these matters—increased 47 per cent.

"By the end of the 18th century the world debt had increased by 466 per cent, and by the end of the 19th century the world debt, public and private, had increased by 12,000 per cent, and, according to some very exact calculations which have been carried out by a quite irreproachable professor of industrial engineering of Columbia University, Professor Rautenstrauch, taking the year 1800 as the origin and taking one hundred years as the unit, the world debt is now increasing as the fourth power of time; that is to say, not increasing directly as time goes on, not as the square of time and not as the cube of time, but as the fourth power of time; and that is in spite of the numerous repudiations of

debt, the writing down of debts which takes place with every bankruptcy, and other methods used to write off debts and start again.

"That, to my mind, and to anybody who will appreciate what its real meaning is, is an indisputable proof that the present financial price system is not merely self-liquidating, but is decreasingly self-liquidating. We also know that in fact, in those times of boom which are referred to by economists as proving that it is self-liquidating, the rate of increase of debt is greater than in times of depression; so that in real fact, in times of boom even, there is no justification for saying that, at any time of the trade cycle, the price system is self-liquidating."

RULE BY FINANCE

Under the rules of so-called "sound finance", money is issued to the community only in the form of loans from the banking institutions. The community is in debt to these institutions for all the money it possesses. The banks have a prior claim on all money in existence.

Debt is an obligation to pay money, but, as all money in existence is owed to the banks, it is obvious that the fantastic debt structure of the community can only increase. Debts as they fall due for payment must be replaced by new debts, apart from the automatic debt-creating defect of the system.

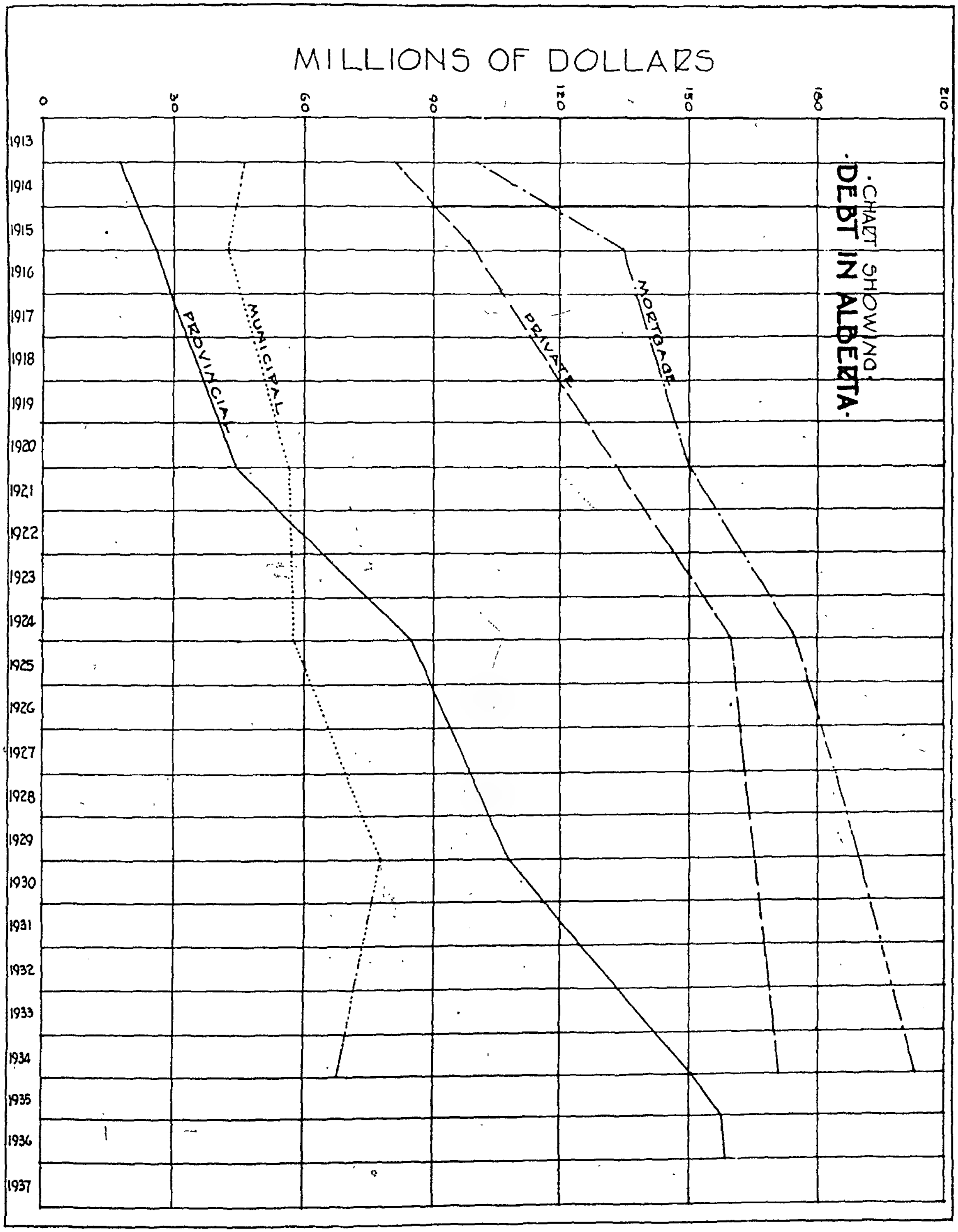
Moreover, because the liquidation of debt can be effected only by money, and because banks have a prior claim to all money in existence, a claim they can exercise at will by calling in loans or selling securities in the open market, it follows that a debt structure which has been created by the operation of the financial system must be centred in and controlled by the banks. The dominating control of all economic activity which this gives the banks can be realized when we consider the relative position of debtors to creditors under the established laws of society.

Now, if money is to perform its function of facilitating the production and distribution of goods and services as, when and where required, it is clear that the financial system of the nation should merely record in figures that which is taking place in the economic sphere. The financial system should be the barometer of economic activity.

In terms of financial credit issue, this means that the quality of money should be determined by the rate at which goods can be produced, and the extent to which the community desires to draw on this capacity.

Yet the operation of the system is far removed from this. The amount of financial credit released to the community as loans by the banks is limited by their holdings of cash. This, in turn,

—Continued on p. 37.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·DEBT IN ALBERTA·
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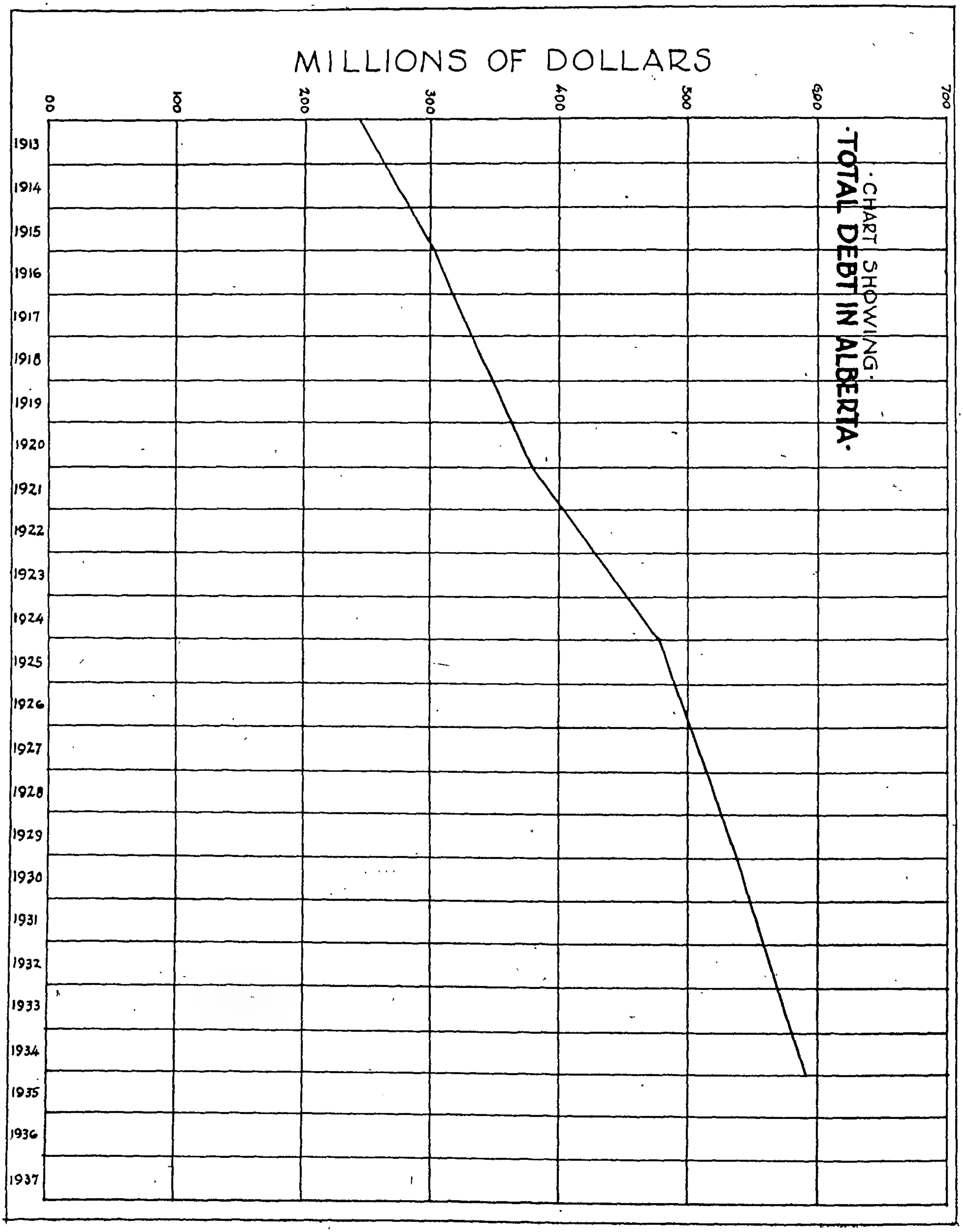
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·TOTAL DEBT IN ALBERTA·
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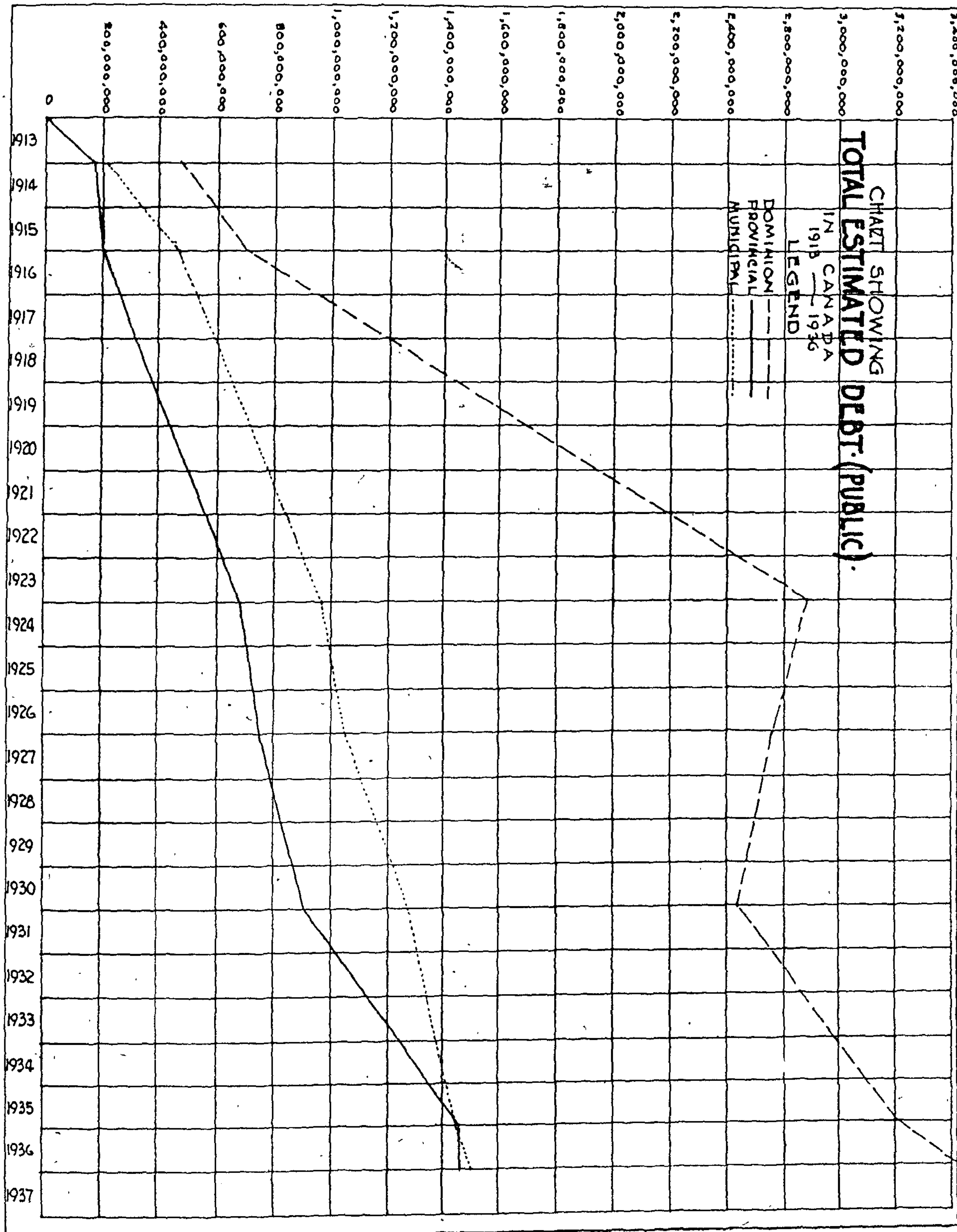
CHART SHOWING
TOTAL ESTIMATED DEBT (PUBLIC).
IN CANADA
1913 — 1936
LEGEND
DOMINION — — —
PROVINCIAL ———
MUNICIPAL ....
0
200,000,000
400,000,000
600,000,000
800,000,000
1,000,000,000
1,200,000,000
1,400,000,000
1,600,000,000
1,800,000,000
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is limited by the note issue of the Bank of Canada. Therefore, the present arbitrary restriction of the note issue by the Bank of Canada gives that institution complete control over the quantity of money, and therefore, over production and all economic activity.

When it is borne in mind that this over-riding control by the central bank is exercised in conjunction with a debt-creating system which progressively places everything under the control of finance because of its prior debt claims against the community, something of the enormous and extraordinary control of the highly centralized banking system can be appreciated.

This has been very clearly demonstrated to a startled world by recent events in this Province. Even governments are expected to submit to the domination of these financial rulers. And as unsatisfactory as it is that this centralized control of all human activity should be exercised by a group of institutions in the Dominion, the situation becomes fantastic when it is fully realized that the centralization of control is continued through central banks to a coterie of alien financiers exercising supreme domination of the system on an international scale.

Some very definite views have been expressed by men of affairs in regard to this hidden and over-riding tyranny dominating all government and controlling nations,—

> HIS HOLINESS POPE PIUS XI: "Control of financial policy is control of the very life-blood of the entire economic body."
>
> PRESIDENT WOODROW WILSON: "The great monopoly in this country is the monopoly of big credits. A great industrial nation is controlled by its system of credit. The growth of the nation, therefore, and all our activities are in the hands of a few men who chill and check and destroy genuine economic freedom."
>
> * * *
>
> "We have been dreading all along, the time when the combined power of high finance would be greater than the power of the Government."
>
> * * *
>
> "Some of the biggest men in the United States, in the field of commerce and manufacture, are afraid of somebody, are afraid of something. They know there is a power somewhere so organized, so subtle, so watchful, so interlocked, so complete, so pervasive, that they had better not speak above their breath when they speak in condemnation of it."
>
> PRESIDENT ROOSEVELT: "The practice of unscrupulous money changers stands indicted in the court of public opinion and rejected by the hearts and the minds of men.
>
> "Jealously have we guarded the right to coin cash. Carelessly have we delegated the right to create credit. . . .

"He who controls money wields sovereign powers. . . .

"Producing nothing, the Bank of England can control all production, wielding a power not less tremendous because exercised so silently. . . ."

MR. G. K. CHESTERTON: "The main mark of modern government is that we do not know who governs, *de facto* any more than *de jure*. We see the politician and not his backer; still less the backer of the backer; or (what is most important of all) the banker of the backer. . . .

"Throned above us all, in a manner without parallel in all the past, is the veiled prophet of Finance, swaying all men's lives by a sort of magic and delivering oracles in a language not understanded of the people. . . .".

MR. W. E. GLADSTONE (the British statesman): "From the time I took office as Chancellor I began to learn that the State held, in the face of the Bank and City, an essentially false position as to finance. . . ."

"The hinge of the whole situation was this: The Government itself was not to be a substantive power in matters of finance, but was to leave the money power supreme and unquestioned."

—Quoted from *Economic Nationalism*, by Maurice Colbourne.

Is it then any wonder that the obvious destructive characteristics of the present system are not only allowed to persist, but hostile resistance from these financial interests is experienced in any serious attempt which is made to rectify the system? Is it likely that an all-powerful group, dominating all human activity and on the eve of assuming complete control of the world by its manipulation of the financial system, will willingly surrender its power? The system is operating to the sole advantage of these persons, and it is evident that they have no intention of relinquishing their control or power, even though their vicious monetary policy is rapidly bringing chaos to the world, while the cries of a suffering humanity can be heard on every side.

DIVIDENDS FOR ALL

There remains one important consideration before proceeding to summarize the defects in the financial system and indicating the manner in which these can be rectified. This is in regard to the general question of unemployment and the social implications which arise therefrom.

In a previous chapter the anomaly of indigent unemployment was examined. It was shown that the deliberate policy being pursued in industrial development was to replace human energy by solar energy applied to machinery resulting in automatic and semi-automatic processes in production. In other words, the deliberately organized trend of production is towards the elimination of human labour.

All economic progress can be traced to the fundamental policy of human endeavour, that is, the pursuit of security and freedom.

The almost unlimited resources of energy and the knowledge of how this can be harnessed for productive and transport purposes have given mankind mastery in the economic sphere. This is particularly the case in such richly endowed areas as Alberta, and Canada as a whole. Security for all and, with the introduction of improved productive processes, increasing freedom for all in the economic sphere are now possible.

That these improved methods of production, under which human beings are released from toil and by which the productivity of the community is increased, should result in the persons released being rendered destitute through loss of wages is but another fantastic feature of the system. Instead of leisure and the well-being of the entire community being increased by an obvious economic advance, the community is rendered poorer to the extent of the purchasing power withdrawn, and the release from toil rendered possible by the improvement in processes is entirely negatived by the plight of those whose services have been replaced by mechanization and the economic consequences of further restricted markets caused thereby.

The next question which arises is one of equity. Why should a person be rendered destitute because economic progress has been made and the productive capacity of industry has been increased without his services being required? To whom does the increased production belong?

Again the amount of production per man under modern conditions, whether in the sphere of agriculture or industry, is some thousands of times greater than that which was possible to primitive man. To whom does credit for this rightfully belong?

It is evident that modern productive processes have been rendered possible by the application of a store of knowledge which has been passed down from generation to generation—something in the nature of a cultural heritage to which a community as a whole are the heirs. Modern productive methods are rendered possible only by the exploitation of this inheritance and to the extent that such exploitation contributes to the achievement of the social objectives of security and freedom, all the community should benefit.

Take an exaggerated example. If the trend of modern productive methods resulted in the complete mechanization of all production, so that the services of, say, only two per cent of the population were required, under the present system the 98 per cent would be rendered destitute, without any right to the abund-

ant production. The principle is equally applicable whether the percentage is ninety-eight or eight.

If the improvement in processes renders increasingly possible the social objective of security and freedom for all, this should be reflected in the economic arrangements of the community. As production becomes increasingly less dependent upon human labour, individuals in the community should be rendered increasingly less dependent upon payment for their service in the economic sphere to obtain a share in production. In short, a dividend paid on the cultural heritage should progressively replace wages and salaries as improvements in production processes increase.

PRINCIPLES OF FINANCIAL REFORM

The defects in the financial system which have been revealed by our examination can be summarized as follows:

(1) Because of its supreme authority over the monetary system, a group of alien financiers is able to control, through the central bank and the chain of commercial banks, the entire economic life of the nation, thereby exercising sovereign direction of all its institutions, including the institutions of government.

(2) Because of the methods adopted in financing production—in particular capital production—in any given period the community is obliged to surrender purchasing power issued to it in respect of its entire production for that period. As, however, the costs of both capital production and production of ultimate goods have to be met by consumers in the prices of the latter, the unconsumed production costs carried forward for liquidation in the future, cannot be met. This results in a chronic and increasing shortage of purchasing power, with disastrous results to the entire economic structure. Moreover, the effect of this defect is aggravated by the limitation of money supply imposed through the arbitrary restriction of the central bank's note issue.

(3) Two minor defects exist in respect of the demand of the banking system: (*a*) that the community should return more money in the form of interest charges than has been distributed to it; (b) prices are loaded with an element of profit in respect of which no purchasing power is ever distributed.

(4) The objective of social endeavour in the economic sphere being to confer the greatest freedom and the maximum of security on the individual, the decreasing dependence

of production on human labour justifies, in equity, that the wage and salary system should be supplemented by a system of social dividends distributed as an unalienable right. With technological progress, monetary claims on production should be increasingly distributed in the form of dividends and become less and less dependent upon the wage system.

(5) Present taxation methods are unnecessary and should be modified.

It is submitted that if these defects are remedied, the change which would result would be fundamental and that a smooth transition from the present social order, dominated by a group of financiers, to economic democracy would be accomplished without any violent shock to the social life of the nation.

In contrast to this, it should be evident that the blind perpetuation of a defective and collapsing monetary system as the foundation of the nation's economic life, will inevitably end in social chaos.

It is not intended to do more than indicate the basic principles of financial reform necessary to rectify the defects summarized above. Once these principles are recognized and accepted as the basis for reform, no difficulty will arise in regard to their application in a specific manner,—

(1) It is fundamental to a democratic social order that the people shall determine the results which they desire from their social organizations.

In order to ensure that financial policy shall conform to the will of the people, and that proper supervision of the system shall be established, a credit authority under the effective control of the government should be established for the purpose.

The administration of the financial system could be left to the banks, providing this was subject to policy control by the people, through the government and the credit authority.

(2) The major defect in the financial system arises mainly from the manner in which capital goods production is financed, causing a chronic and increasing shortage of purchasing power. Reference back to the examination of this feature will show that the community is obliged to surrender the purchasing power distributed to it in respect of its total production in any period. Being in effect charged for its total production for the period, it is unable to meet the accumulating costs carried forward from the past into current prices of ultimate goods coming on the market.

To rectify this error it will be necessary for the deficient purchasing power to be made good. Instead of being called upon to surrender purchasing power in respect of its total production for any period, the community should have to meet the costs only of its consumption of goods in the period.

However, if the difference between the price values of its total production and the price values of its total consumption for the period was made good to the community, there may be an excess of purchasing power, as the unconsumed production for the period is, in the main, in the form of capital goods.

To achieve a balance between purchasing power and prices of ultimate goods on the market, additional purchasing power should be made available to the community at the rate at which the costs carried forward from past production appear in the prices of ultimate goods in the market.

If, therefore, prices to consumers were adjusted so that selling price bore to the retail price as now computed the same ratio as total consumption bore to total production, retailers being reimbursed for the difference by means of financial credits created for the purpose, the deficient purchasing power would be issued to the public at the rate which was required to ensure a perfect balance between available purchasing power and total prices of goods on the market.

Moreover, the additional purchasing power would be injected into the system by means of compensated prices in a manner which would preclude any inflationary results. There would actually be a fall in the price level of consumers goods corresponding to the increase in monetary supply.

The specific method of application of this general proposition would be dependent upon the requirements of the situation. It is sufficient for present purposes to indicate how the fundamental major defect in the system can be rectified. Moreover, minor defects mentioned in regard to bank interest and the element of profit in respect of which purchasing power is not distributed, would automatically be adjusted in the application of the compensated price formula.

(3) The monetary stringency imposed by an arbitrary restriction of the note issue is a denial of the purpose for which the monetary system exists—namely, to facilitate the operation of the economic system to provide goods and services as, when and where they are required. The monetary system should, therefore, merely reflect what is happening in the economic sphere. It should not control economic activity, but rather be controlled by it.

(4) Provision for social dividends can be made from the fund of financial credits necessary to make good the general deficiency of purchasing power. Dividends expended in the purchase of ultimate commodities will automatically increase consumption. The price ratio for calculating the compensated price being:

$$\frac{\text{total price values of consumption}}{\text{total price values of production}},$$

an increase in consumption due to the issue of dividends will automatically result in a smaller discount, thus maintaining accuracy in the general adjustment.

(5) Similarly, instead of reducing the purchasing power of individuals by taxation and proceeding to increase purchasing power by the above methods—drastic tax reductions can be granted at the expense of smaller dividends and a smaller price discount. With this is bound up the question of debt adjustment in a general scheme to deal with the accumulated results of the defective financial system.

In this chapter it has not been possible to do more than subject the financial system to a general examination and indicate the broad lines along which the defects which exist can be rectified. However, it is submitted that the essential facts have been dealt with, and in the chapter which follows some of the basic principle of social organization in relation to the constitutional problems of Canada as a federal union of democracies are subjected to a like examination.

In the final chapter specific recommendations are made.

CHAPTER V.

Democracy and Confederation

Any approach to the social and constitutional problems which confront Canada must be dispassionate and directed towards ascertaining the root causes of our troubles if it is to yield a lasting settlement of present difficulties. Too often in the past have efforts to deal with similar problems been rendered abortive by petty political motives and the blind obstinacy of tradition. The issues which face the nation are too important, the responsibilities for the future of the Dominion are too great to permit of any sectional interest in Canada imperilling the heritage of its people.

To-day there is a wide and growing recognition that the troubles which beset us arise from fundamental causes, and that there must be a change. The preceding chapters provide evidence of the urgency of this change.

A scientific approach to our social problems must, in the first instance, establish beyond any reasonable doubt the basic causes of our troubles, for unless these are removed the troubles will persist. Any mere superficial readjustments to deal with the symptoms of our ills, without removing the causes, can achieve nothing but persistence of these troubles. The causes will remain and continue to undermine our social structure.

The problems of Alberta, of every other province, and of the Dominion as a whole, are essentially concerned with our social organization. They have to do with the relationships between individuals living in association within organized society. All organization is a science and social organization is no exception. A scientific investigation of the causes which operate in the acute social problems that assail our nation, should, therefore, proceed from an examination of the basic principles of social organization and their application to modern conditions in Canada.

BASIS OF SOCIETY

The primary consideration in regard to any organization should be its objective—the purpose for which it exists. Individuals enter and remain in association as an organized group, be it as a nation, or merely as an organization for gaining certain knowledge, because they believe that they can achieve that which

they want more effectively in association than in isolation. This belief that in association individuals can get what they want, which would otherwise be impossible or more difficult for them to achieve, is inherent in the individuals who make up society, otherwise there would not be any society. It is a basic influence which has developed civilization.

A "natural" social order is one which is organized to achieve the purpose of society—namely, to enable the individuals in association to get what they want in the most efficient manner possible. All history goes to show that to the extent individual members of any social group gain satisfaction in what they desire from their association with others, peaceful progress and harmony result; and, conversely, to the extent they are thwarted from gaining what they want from society, social unrest and turmoil threaten disintegration. Where no benefit accrues, or its extent vitally disappoints, individuals seek new associations.

The belief inherent in society that its individual members in association can get what they want is the basis of the "credit" of the social group. This belief is the power which motivates every social activity. To the extent individuals realize this belief, the social organization is strengthened, and more efficient organization directed towards further satisfying individual wants is stimulated. On the other hand, any weakening of this belief because individual members of society are not getting what they want from their association with others, tends to destroy the efficiency of the organization and efforts directed towards the realization of individual desires are discouraged, and in the growing dissatisfaction, disintegration of society begins to occur.

THE NATURE OF DEMOCRACY

Social organization should exist to achieve the purpose of society—namely, to provide arrangements whereby individuals in association may get what they want in the most efficient manner for all. Organization to this end must be governed by the two determining factors of all organizations—namely (1) policy or the specification of results, and (2) administration or *how* these shall be achieved. Bound up with these considerations are three main questions: (*a*) *who* shall decide policy?, (*b*) *who* shall decide questions of administration?, and (*c*) *who* shall choose the administrators?

Broadly speaking, there are two forms of organization, democratic and centralized. The form of organization adopted determines the point from which control shall operate. Under democratic organization control is exercised by the individuals collectively comprising the group and they assert their collective

will on the administration. Under centralized organization the individuals comprising the group submit to control by the administrators whose will dominates them.

Clearly the democratic form of organization must be employed if society is to fulfil its purpose. It is the only basis of organization which can provide the arrangements whereby individuals in association may get what they want from their social environment. However, this does not mean that there is no place for centralized organization; for democratic organization, while it must provide the basis for a natural order of society, has its limitations.

To take a concrete example, a number of individuals may desire a bridge to enable them to freely cross a river and, therefore, they enter into association for the purpose of providing themselves with this facility. Now there can be do doubt as to the ability of every one of them to decide whether or not the bridge shall be built. They are the greatest living authorities on the subject of *what results* they want. They also take the decision to co-operate in the undertaking; in other words, they freely enter into association with the others to get what they want. However, if each of them had to decide also on *how* the bridge should be built, the unity of purpose would soon be shattered by arguments on the methods to be employed. Every one would have different ideas and possibly the one person who had a real knowledge of bridge building would have this view subjected to criticism and amendment by those who knew nothing about the technique, and the results would be disastrous to all. The obvious procedure to adopt in order to attain their objective would be for democracy to provide inducements by which the person who has the necessary knowledge of bridge building would undertake the task, the group holding him personally responsible for the results. Thereafter they would adopt the centralized form of organization, placing themselves under the administrator and taking instructions from him. Should he fail to produce the desired result, however, or should he bungle the work in the process, they should be able to remove him.

The foregoing example illustrates the strength and limitations of democratic organization, and the place which the alternative form of centralized organization should occupy in a natural social order—the social order which we know as democracy.

The matter can be summarized thus:

(1) All questions of policy—that is what *results* are required—should be decided democratically. (2) All ques-

tions of adminsitration—that is *how* it shall be done or what *methods* shall be employed to gain the democratically decided *results*—should be determined under centralized organization by administrators who are equipped with the knowledge and who will be held responsible for results.

(3) Control over administrators should be exercised democratically to the extent that if they do not produce the results desired they can be removed in favour of those who will.

In a democracy every aspect of the social organization employed, and every insitution and other mechanism devised to enable society to fulfil its purpose should conform to these basic principles.

CANADA AND DEMOCRACY

In applying the foregoing examination of the principles which should govern democratically organized society to the social organization of Canada, we have to bear in mind that basically, Canada is a union of nine separate social groupings, each organized within clearly defined borders which separate each province. Just as the important unit of any social grouping is each individual, so the important unit in our federal union is each province. Just as it is impossible to have a healthy, satisfied and prosperous province unless the individuals which comprise its people are healthy, satisfied and prosperous, so it is impossible to build a progressive and prosperous Canada unless that is the condition of its component parts, the provinces. An examination of Canada's social organizations should, therefore, start with the individual in relation to the social grouping within the province, and proceed to the relationship of these provincial groups to each other in a federal union.

The basis of social organization in each province is the inherent belief, that its individual citizens in association can get what they want—a result which would be impossible to them living in isolation. To the extent this belief is realized, the credit of the province is strengthened and its social organization functions vigorously to fulfil its purpose. To the extent the people are thwarted in realizing their wants, this belief is weakened—that is to say the credit of the province is weakened—and the social organization is jeopardized by disintegration.

Similarly, the only basis on which a federal union of nine provinces can flourish is an inherent belief that in association with other provinces the individual citizens of each province can get what they want more effectively than if provinces operated in isolation. To the extent that this is realized, the credit of every

province will be enhanced, and vigorous and harmonious co-operation ensured. Conversely, to the extent that this belief is weakened as a result of confederation, to that same extent will the credit of every province be impoverished and disintegration threaten the union. Thus it will be observed that the basis of the credit of the Dominion is the credit of each province.

DOMINION-PROVINCIAL RELATIONS

To ensure that the credit of each province and of the Dominion as a whole is enriched, and the resulting social power is applied to enable the various organizations which exist to fulfil the purpose of all social organization, the basic principles of democratic society must be observed.

All policy—that is the *results* desired—must be decided democratically. Administration of this policy must be centrally controlled.

In applying this to Dominion-Provincial relations in our federal union from the scientific aspect of "that is right which works best" we must first consider the matter as it affects each social grouping or province. Clearly, the people of each province must be sovereign in regard to policy as it affects them individually and collectively within their provincial borders. If this is not conceded then the basis of confederation is destroyed.

However, when it comes to the question of administration of this democratically decided policy within each province, other considerations arise. The primary objective of confederation is that by close co-operation with other provinces, each province will gain what its people desire more efficiently than could be achieved otherwise. For example, in railway transport a more efficient service can be gained by every province through centralized Dominion administration of railways *(provided it gives the people of each province the service they want)*, than nine separate provincial administrations could hope to achieve.

Therefore, while it is clearly essential to a democratic Canada, that all questions of policy, i.e., the *results* desired should be democratically decided by the people of each province, so far as it concerns them individually and collectively, questions of administration or *methods* will fall under the jurisdiction of either the provincial authority or the Dominion authority established to implement democratic policies.

In matters which are entirely provincial and which do not affect any other province, adminstration will be provincially controlled. However, in matters which are common to all provinces and in the administration of which Dominion-wide organization will yield greater efficiency, centralized Dominion administration

should be employed to implement the policy—that is, to provide the result which has been decided by the people of each province.

In the natural social order which we term democracy every organization, every institution and every social mechanism should exist to serve the individual. The sole purpose of government should be to implement the collective will of democracy in regard to the results it wants and to see that it is provided with mechanisms and organizations which will enable individuals to get what they want with the greatest degree of efficiency from their social environment. Thus, while it is a truism that the function of governments is to govern, that government is best which needs to govern least, for the more efficient the social organizations at the disposal of democracy the easier and more automatic will it be for individuals to get what they want in their association within society, without the intervention of governmental authority.

The principles which should determine Provincial-Dominion relations can, therefore, be summarized thus:

(*a*) *All* policy (i.e., results desired) should be decided democratically by the people of each province so far as it affects their lives within the province.

(*b*) Policy should be decided democratically by the people of the entire Dominion when it concerns matters affecting the relationships of the Dominion with other parts of the world.

(*c*) Jurisdiction over the administration of democratically decided policy should be distributed as between provincial governments and Dominon governments as follows:

(1) Provincial jurisdiction over administration of policy in all matters which are purely provincial in their scope.

(2) Dominion jurisdiction over administration of provincially and democratically decided policy in all matters which affect each province and in respect of which it has been agreed by each province that Dominion administration is desirable.

(*d*) Dominion jurisdiction over administration of matters affecting the relations of the union of the provinces as a whole with other parts of the world.

BRITISH NORTH AMERICA ACT

While the subject of social organization was not so thoroughly understood sixty years ago as it is to-day, the Fathers of Confederation in providing the basis for the association of provinces

in the union which is Canada, showed great wisdom in the division of powers as between provincial and Dominion governments which were subsequently embodied in the B.N.A. Act. Broadly, and apart from the mistakes which have become apparent, Sections 91 and 92 of the B.N.A. Act conform to the principles which should govern Provincial-Dominion relations in a democratic Canada. Many of the difficulties which have arisen in this connection are due, very largely, to the interpretation which has been given to these sections of the Act, without due consideration to the fundamental rules which should have been observed in interpreting them.

For example, provincial jurisdiction over civil and property rights under Section 91 recognizes the basic principle of democratic social organization that sovereign control of policy must belong to THE PEOPLE. The primary civil right of a democracy is its right to decide policy—that is to decide what results shall be provided by the social organizations which exist to serve its individual members.

Similarly, if the principles of democratic social organization which emerge from the foregoing examination of the subject are borne in mind, no serious conflict need arise in the interpretation and application of the B.N.A. Act in its broad provisions as a basis of confederation. To the extent it contravenes the principles of democracy, no serious difficulty would arise in gaining general agreement as between all provinces for its amendment.

Steps towards an early settlement of these difficulties would be rendered easier by a conference of all provinces without delay in order to clear up the constitutional muddle which exisits in the Dominion.

CHAPTER VI.

Recommendations for Social and Economic Reconstruction

General:

The primary and urgent need in Canada is the establishment of democracy—that is, democracy in the correct sense of that term.

This requires that policy (in particular policy in the economic sphere), shall be decided by the people of the provinces concerned, except in regard to matters affecting the relations of the Dominion with other countries, in which case it should be decided by the people of all provinces collectively.

At the present time the policy, i.e., the results required by the people of Alberta and of every other province, could be stated in general terms as a maximum of personal security and personal freedom. The policy being *imposed* on the people everywhere is the opposite to that which they desire and could be stated in general terms as insecurity and progressive loss of freedom through unnecessary poverty, debt and taxation. Control is centred in the banking system, by the operation of which a small group of alien financiers are able to impose their domination over the entire nation.

In August, 1937, the Government of Alberta in obedience to the demand of the people of the Province, passed legislation designed to provide for effective control of policy in accordance with the declared will of the electorate, without interfering with the administrative function of the banks or the jurisdiction of the Dominion Government in regard to administrative matters coming under Section 91 of The B.N.A. Act, and without interfering with the primary civil right of policy control in any other province.

This enactment was assented to August 6, 1937, in the name of His Majesty the King.

To the amazement of the people of Alberta, and, no doubt, to the equal amazement of people all over the Dominion, the Dominion Cabinet, without consulting the people of Alberta or the people of Canada as a whole, and without consulting even the representatives of the people of Canada, simply disallowed the legislation.

This was the first concrete evidence which the Government of Alberta had that democracy in Canada was being denied.

The subsequent treatment which the Province received confirmed this view and has convinced the Government that only vigorous and early action by the people of all provinces working together will safeguard their rights from the attack which is being made on them.

The fundamental issue is the establishment of democracy in our Dominion and of the sovereignty of the people of every province in our Confederation.

To this end the Government of Alberta submits to the sovereign people of Canada and their Governments specific recommendations for their serious consideration in this grave crisis which our country, in common with the other nations of the world, is facing at the present time. It is further submitted that Canada will render the greatest service possible to humanity if, as the Government of Alberta contends, it will lead a poverty-stricken, debt-burdened, war-sickened world out of the toils of the financial tyranny which is threatening civilization.

* * * * *

(1) *Policy Control:*

It is submitted that provincial Governments should take early action to establish the sovereignty of their people within the boundaries of their own province to control policy—i.e., to obtain the results they desire—in respect of all economic and political arrangements within their provinces, provided that the same right of the people of any other province is not thereby subjected to interference.

Until democracy is established within each province it will be impossible to build a democratic Canada.

(2) Having established the statutory and constitutional right of the people to control policy, the electorate in each province should be given an opportunity, by practical means, to express in their order of preference the definite results they want from the administration of the affairs of their province, and the various institutions should be instructed to implement this policy without delay.

It is almost certain that the declared policy of electors in all provinces will be an expression in one form or another of the measure of economic security and freedom which they desire. In this respect the clear and specific demand of the people of Alberta for $25 a month dividend and a lower cost of living might form the basis of securing uniformity in regard to policy. It is at least proven that this is easily within the realms of practicability

so far as Alberta is concerned, and should be equally practicable for the Dominion as a whole.

(3) *Financial Adjustments:*

In order to implement the policy of electors, the following specific proposals should be adopted to rectify the faults in the financial system which have been examined in previous chapters:

(*a*) A provincial credit authority under Government control to be established in each province to supervise the administration of policy as decided by the people.

(*b*) The distribution of a social dividend supplementary to any earnings and sufficient in amount at the outset to ensure the security of every person. This to be brought into line, as rapidly as possible, with the declared policy of the electorate.

(*c*) The adjustment of retail prices, so that the compensated selling price of goods shall bear to the price as computed at present the same ratio as total provincial consumption bears to total provincial production for any accountancy period.

(*d*) The note issue to be regulated by the volume of financial credit released, instead of the present procedure of an arbitrarily limited note issue unnecessarily restricting the issue of financial credit by the banks.

(*e*) Banks to continue the administration of the financial system under the jurisdiction of the Dominion Government and subject to the control of policy by the people of each province through a provincial credit authority,

(*f*) Banks to discontinue the practice of charging arbitrary interest rates and to be compensated adequately for their services to the community on an equitable basis.

(*g*) The careful preparation of an interim scheme to be undertaken so that the application of the general proposals outlined above can be introduced smoothly and without dislocation to the social life of the province.

(4) *Taxation:*

Instead of existing methods of taxation, Government revenue to be obtained to an increasing extent—and finally all revenue—from the monetized provincial credit fund created for the purpose of providing consumer credits through dividends and price discounts to compensate the shortage of purchasing power.

In this connection it would be possible in Alberta, within a reasonable time, to distribute a monthly dividend of $25 to every adult citizen; to considerably reduce retail prices from the present level, and also to drastically reduce taxation.

(5) *Debts:*

It will be necessary to secure a revision of the entire debt structure on a basis which will be equitable and which will not involve unwarranted loss to individuals. Details of such a scheme will be dependent upon all the circumstances involved, but the general proposition should present no insuperable difficulty once the principle has been agreed.

(6) *Confederation:*

The constitutional confusion which exists, makes it a matter of utmost urgency for an inter-provincial conference to be held at an early date as a preliminary to placing Confederation on a proper basis.

* * * * *

It is the considered view of the Government of Alberta that unless concerted action by all provinces is taken substantially along the lines indicated above, the economic structure of the Dominion and the fabric of Confederation will be imperilled.

It is the earnest desire of the Government and the people of this Province to do everything within their power to help in solving the grave economic problems which confront the entire nation and in forging the bonds of a Confederation of sovereign provinces which will make Canada the great nation we all desire so earnestly.

History shows that it is a human characteristic to resist change—even to the extent of adhering to the folly of a disastrous course of action. The universal preparation for a war which might plunge the world into a Dark Age from which it will emerge with difficulty, is evidence of this characteristic. From the world situation and the glaring anomalies in our economic system, it must be obvious to every thinking person that the present economic system has broken down. There is unquestionably a wide recognition that there must be a change—and a fundamental change. But a change to what? So-called communism, socialism, liberalism, conservatism, new deals, inflation, deflation, reflation, nazi-ism, fascism, dictatorship—all these have been tried, but the plight of the world continues to get worse as each day carries humanity towards the overwhelming disaster that must inevitably overtake a civilization based on a fundamentally unsound economic system. Democracy—the term by which we know the natural social order, in which the will of the people is supreme in all matters of policy—Democracy which means government in accordance with the results which the people want—Democracy in its true sense alone has not been tried.

Fear of the unknown is still a deeply rooted human characteristic and it may cause hesitancy on the part of provinces to take the firm action which the gravity of the situation demands.

The Government of Alberta, on behalf of the Province, therefore unreservedly offers to test the soundness of the economic proposals submitted in this chapter. Alberta will undertake to put them into effect in the Province without interfering with any other province in the Dominion. With the co-operation of all provinces—to ensure non-interference with Alberta—to demonstrate whether basically the proposals advocated are sound and all which they are claimed to be.

Is it too much to ask that our Province be afforded the privilege of leading the way out of the present choas of poverty, debt and crushing taxation in a land of abundance and promise?

That is a question which can be answered only by the SOVEREIGN PEOPLE of Canada through their accredited Governments.

APPENDIX I.

Various Statistical Tables

TABLE I.

CAPITAL ASSETS ACCOUNT—PROVINCE OF ALBERTA

Accounting Period 1936-1937

DEVELOPED LANDS—	Acres		Valuation
(A) Acres, Agricultural Land Occupied	39,000,000		$390,000,000
(B) Forest Sold (or under Lease)	391,917		79,975,000
(C) Minerals (under Lease):			
1. Petroleum and Natural Gas	2,701,398		
2. Coal	246,554		
3. Quartz	1,675		
4. Quartz Mining	182		
5. Salt and Gypsum	200		
6. Tar Sands	3,737		
7. Miscellaneous	3,560	Value of Products	112,667,000
Total Number of Acres	42,349,223	Total Value	D* $582,642,000

PUBLIC WORKS—	Est. Cost	Est. Present Value
1. Harbours	$ 557,000	$ 334,200
2. Irrigation	32,000,000	18,000,000
3. Water Work Systems	16,938,400	8,938,400
4. Sewer and Sewer Disposal	16,869,700	14,869,700
5. Water Power Developed	17,974,729	7,189,909
6. Drainage Reclamation of Lands	629,000	440,300
7. Telephones	29,000,000	22,354,954
8. Roads, Bridges, Ferries (Whole Province)	30,000,000	11,297,297
9. Buildings and Institutes (Provincial Government)	8,975,589	Net Loss
10. Private Buildings (other than Government Buildings)	113,755,136	79,129,596
11. Railways, C.P.R., C.N.R., Ed. & B.C. (includes Repair Engines)	215,045,000	129,027,000
12. Telegraphs, Railways	17,355,000	6,942,000
13. Schools (Urban)	13,382,300	10,867,030
14. Schools (Rural)	9,551,000	7,951,000
15. Municipal Assessment Land	439,007,148	439,007,148
16. Tramways: Calgary and Edmonton	6,058,527	Net Loss
Total	$967,098,529	E* $756,348,534

D* Estimated Present Valuation—Developed Lands	$ 582,642,000
E* Estimated Present Valuation—Public Works	756,348,534
	$1,338,990,534

TABLE I. (*Continued*)

	Acres	Value	
Carried Forward			$ 1,338,990,534
UNDEVELOPED LANDS AND RESOURCES—			
(A) Acres Agricultural Land Not Occupied	58,000,000	$ 58,000,000	
(B) Acres Forest Land (Undeveloped)	83,214,483	2,784,525,000	
(C) Acres Mineral Land (Undeveloped):			
1. Petroleum and Natural Gas		231,048,000	
2. Coal (Tons)	61,000,000,000	122,000,000,000	
3 Tar Sands (10,000 Sq. Miles) (100,000 barrels to acre) Shown on Report at		100,000,000,000	
Capitalized Value of the Population of the Province of Alberta		4,464,046,125	
Net Credit Balance between Province and (Elsewhere)		45,000,000	Estimated
		$230,921,609,659	
Valuation of the Capital Assets of the Province of Alberta			$230,921,609,659

TABLE II.

PRICE VALUE OF PRODUCTION (ALBERTA)—GROSS			PRICE VALUE OF PRODUCTION (CANADA)—GROSS		
1933	1934	1935	1933	1934	1935
$ 206,997,231.00	$ 255,549,707.00	$ 250,995,852.00	$3,331,663,152.00	$4,042,933,196.00	$4,398,333,710.00

Reference—Dominion Survey of Production, 1934 and 1935.

TABLE III.

TOTAL PUBLIC AND PRIVATE DEBT—AS AT DECEMBER 31st, 1937

ESTIMATED INDEBTEDNESS TO ORGANIZED LENDERS

1. Members of the Mortgage Loan Association	$ 45,000,000.00
2. Canadian Farm Loan Board	6,500,000.00
3. Soldier Settlement Board	8,000,000.00
4. School Lands Contracts	4,500,000.00
5. Organized Vendors of Land	21,000,000.00
6. Private Parties, Mortgages and Vendors of Land	65,000,000.00
7. Banks	35,000,000.00
8. Implement Dealers (Members of the Implement Dealers' Association)	50,000,000.00
9. Retail Merchants	40,000,000.00
10. Oil Companies	15,000,000.00
11. Finance Corporations	15,000,000.00
12. Dominion and Provincial Governments and M.D. Seed and Fodder, Gasoline A/C	15,000,000.00
13. Taxing Authorities in Respect of Tax Arrears	28,000,000.00
14. Rural Credit Societies and Co-operative Marketing Association, as at October 31, 1937	4,954,884.00
15. Sundry Creditors (Embracing Professional)	50,000,000.00
16. Urban Mortgage Debt	41,000,000.00
17. Net Funded and Unfunded Debt (Provincial) (Alberta)	158,151,000.00
	$602,105,884.00

TABLE IV.

NET FUNDED AND UNFUNDED DEBT (ALBERTA)

1929-1930	1930-1931	1931-1932	1932-1933	1933-1934	1934-1935	1935-1936	1936-1937
$106,996,000.00	$117,070,000.00	$135,047,000.00	$143,727,000.00	$144,548,000.00	$150,609,000.00	$158,081,000.00	$158,731,000.00

Reference—Provincial Treasury Department.

MUNICIPAL GROSS DEBENTURE DEBT (ALBERTA)

1930	1931	1932	1933	1934
$78,645,803.00	$78,679,571.00	$72,892,413.00	$69,455,181.00	$67,886,011.00

References—Page 858, C.Y.B., 1937.

TABLE V.

GROSS PUBLIC DEBT OF CANADA

1930	1931	1932	1933	1934	1935	1936	1937
$2,544,586,411.00	$2,610,265,698.00	$2,831,743,563.00	$2,996,366,665.00	$3,141,042,097.00	$3,205,956,369.00	$3,431,944,027.00	$3,542,521,138.00

References—Page 839, C.Y.B., 1937. Public Accounts, 1936, Canada, page 54.

TABLE VI.

DEBT OF THE DOMINION GOVERNMENT, PROVINCIAL GOVERNMENTS, AND MUNICIPALITIES BY SELECTED YEARS*

	1914	1919	1929	Jan. 1, 1937	Jan. 1, 1938
Dominion of Canada:					
Direct	$ 335,996,000.00	$1,574,531,000.00	$2,225,505,000.00	$3,158,461,000.00	$3,130,875,000.00
Guaranteed	110,000,000.00	110,000,000.00	714,208,000.00	968,373,000.00	1,002,373,000.00
Provinces of Canada:					
Direct	200,000,000.00	334,472,000.00	1,031,719,000.00	1,447,305,000.00	1,437,121,000.00
Guaranteed	100,000,000.00	118,768,000.00	224,470,000.00	241,029,000.00	260,259,000.00
Municipalities	376,859,000.00	493,275,000.00	1,332,510,000.00	1,427,938,000.00	1,428,195,000.00
	$1,122,855,000.00	$2,631,046,000.00	$5,528,412,000.00	$7,243,107,000.00	$7,258,823,000.00

NOTE: Compiled by Dominion Bureau of Statistics for years 1914-1929, and estimated by A. E. Ames & Co. for 1937 and 1938. Figures refer to outstanding obligations at the end of the respective fiscal years. When obligations are guaranteed by both the Provinces and the Dominion, the amount is included in the guaranteed obligations of the Dominion.

*Excluding Treasury Bills.

References—Business Year Book, 1938, page 159.

APPENDIX II.

The Credit of Alberta Regulation Act

1937

(SECOND SESSION)

CHAPTER 1.

An Act to provide for the Regulation of the Credit of the Province of Alberta.

(Assented to August 6, 1937.)
(Disallowed August 17, 1937.)

Repealed. [1937 (Third Session), Bill No. 8., Sec. 9.]

Preamble

WHEREAS Bank Deposits and Bank Loans in Alberta are made possible mainly or wholly as a result of the monetization of the credit of the People of Alberta, which credit is the basis of the credit of the Province of Alberta; and

Whereas the extent to which property and civil rights in the Province may be enjoyed depends upon the principles governing the monetization of credit and the means whereby such credit is made available to the Province and to the People collectively and individually of the Province; and

Whereas it is expedient that the business of banking in Alberta shall be controlled with the object of attaining for the People of Alberta the full enjoyment of property and civil rights in the Province.

Now, therefore, His Majesty, by and with the advice and consent of the Legislative Assembly of the Province of Alberta, enacts as follows:

Short title

1. This Act may be cited as *"The Credit of Alberta Regulation Act."*

DEFINITIONS

Definitions

2. Under this Act unless the context otherwise requires:—

"Banker"

(*a*) "Banker" means a person or corporation whose business or any part of whose business is the business of banking;

"Business of Banking"

(*b*) "Business of Banking" means the receipt of money on current or deposit or savings account, the payment and collection of cheques drawn by, or paid in by, customers, the making of advances or the granting of overdrafts to customers;

"Local Directorate"

(*c*) "Local Directorate" means a Local Directorate constituted pursuant to section 4 of this Act;

"Provincial Credit Commission"

(*d*) "Provincial Credit Commission" means the Commission constituted pursuant to section 4 of *The Alberta Social Credit Act*;

(*e*) "Social Credit Board" means the Board constituted pursuant to section 3 of *The Alberta Social Credit Act*. "Social Credit Board"

3.—(1) Every Banker who at the time of the coming into force of this Act is carrying on the business of banking within the Province shall, within twenty-one days thereafter, apply for and obtain a license from the Provincial Credit Commission in respect of such business, and every such application shall be accompanied with the fee provided for the license so applied for. Licensing of Bankers

(2) Every person employed by a Banker carrying on the business of banking within the Province, shall within twenty-one days of the coming into force of this Act, apply individually for and obtain from the Provincial Credit Commission a license to carry on the business of Banking, or any function or functions thereof, and any such application shall be supported by a recommendation of the Local Directorate or the person in charge of the business where the applicant is employed and in the locality where the applicant is employed; and every such application shall be accompanied with the fee prescribed for the license applied for. Licensing of Bankers' employees

(3) Every license issued under this Act shall expire at midnight on the thirty-first day of March of the calendar year following the year in which it is issued or at such other time as the Provincial Credit Commission may by regulation determine. Expiration of licenses

(4) Every application for a license by any Banker carrying on the business of banking or any function or functions thereof within the Province, and every application for a license by any employee of a Banker shall be accompanied by an undertaking signed by the applicant whereby the applicant undertakes to refrain from acting or assisting or encouraging any person or persons to act in a manner which restricts or interferes with the property and civil rights of any person or persons within the Province, and in the case of a Banker, the application for a license shall be accompanied with the names of the two representatives of such Banker as members of the Local Directorate. Undertaking by applicants for licenses

(5) The Provincial Credit Commission may at any time or from time to time and without notice, suspend, revoke or cancel the license of any Banker or any employee of a Banker who commits a breach of the undertaking referred to in subsection (4) of this section. Suspension, revocation and cancellation of licenses

(6) Any Banker and any employee of a Banker whose license has been suspended, revoked or cancelled by the Provincial Credit Commission, shall have a right of appeal to the Social Credit Board, but such right shall not extend to any person or corporation convicted in the courts of the Province for acting or assisting or encouraging any person or persons to act in a manner which restricts or interferes with the property or civil rights of any person within the Province. Appeal to Social Credit Board

License fees

(7) There shall be paid to the Provincial Credit Commission for the use of the Province annually a license fee in such amount as may be fixed by the Provincial Credit Commission not exceeding:

In case of Banker

(i) in the case of a Banker an amount equivalent to $100.00 in respect of every building within the Province in which the business of such bank is conducted;

In case of employee

(ii) in the case of an employee of a Bank $5.00.

In case of renewal of a suspended, revoked or cancelled license

(8) If the license of any Banker or person employed by a Banker has been suspended, revoked or cancelled under section 3, subsection (6) of this Act, the Provincial Credit Commission may fix a fee in excess of the fee provided in Section 3, subsection (7) of this Act, for renewing the license or issuing a new license; always provided that such increased fee shall not exceed one thousand times the fee paid or required to be paid in respect of the license last issued to such person.

Appointment and functions of Local Directorates

4.—(1) Immediately after application has been made for a license by any Banker, and before the issue of the license, one or more Local Directorates (the number of which shall be in the absolute discretion of the Social Credit Board) shall be appointed to supervise, direct and control the policy of the business of the Banker in respect of which such Local Directorate has been appointed for the purpose of preventing any act by such Banker or any employee or employees thereof constituting a restriction or interference, either direct or indirect, with the full enjoyment of property and civil rights by any person within the Province.

Constitution thereof

(2) Each Local Directorate shall consist of five persons, three of whom shall be appointed by the Social Credit Board, and two of whom shall be appointed by the Banker in respect of which the Local Directorate has been appointed.

Dismissal by Board of its appointees

(3) The Social Credit Board may at any time for any cause which it deems sufficient, dismiss any member of the Local Directorate appointed by such Board and appoint another person to fill the vacancy.

Duration of office of members of Local Directorate

(4) Members of a Local Directorate appointed by the Social Credit Board shall hold office during the pleasure of the Board; and members of such directorate appointed by a Banker shall hold office during the pleasure of such Banker.

Vacancy in Local Directorate

(5) Where a vacancy occurs in a Local Directorate the vacancy may be filled by the Social Credit Board if the member in respect of whom the vacancy occurs was appointed by that Board, and if the member in respect of whom the vacancy occurs was appointed by a Banker, then by the Banker who appointed such member.

Remuneration of Members of Local Directorate

(6) Members of Local Directorates appointed by the Social Credit Board shall receive such remuneration as may be from time to time fixed by the Board with the approval

of the Lieutenant Governor in Council, and such remuneration shall be paid out of such moneys as are appropriated by the Legislative Assembly for the purpose.

Carrying on business of banking by unlicensed Banker an offence:

Penalty

5. Any Banker who carries on the business of banking in the Province of Alberta without having first obtained a license under the provisions of this Act or who violates any other provisions of this Act or the regulations made hereunder, shall be guilty of an offence and shall be liable on summary conviction to a fine of not less than five thousand dollars and not more than ten thousand dollars and costs.

Carrying on business of banking or any function of banking by unlicensed employee an offence:

Penalty

6. Any employee of a Banker who carries on the business of banking in the Province of Alberta or any function or functions thereof without having first obtained a license under the provisions of this Act or who violates any other provision of this Act or the regulations made hereunder, shall be guilty of an offence and shall be liable on summary conviction to a fine of not less than one hundred dollars and not more than one thousand dollars, and in default of payment to imprisonment for a term of not more than one year.

Incapacity of unlicensed Banker to commence or maintain actions

7.—(1) Any Banker required to be licensed by this Act shall not, while unlicensed, be capable of commencing or maintaining any action or other proceeding in any court in the Province in respect of any claim, in law or in equity.

Cessation of section by Order in Council

(2) The Lieutenant Governor in Council may by proclamation, declare that as and from a date named therein, this section shall cease to have any force and effect and shall stand repealed.

Prevalence of Act

8. Should any conflict arise between this Act and any provisions of any other Provincial Act, the provisions of this Act shall prevail.

Construction of Act

9. No provision of this Act shall be so construed as to authorize the doing of any act or thing which is not within the legislative competence of the Legislative Assembly.

Regulations by Order in Council

10. With the approval of the Lieutenant Governor in Council, the Provincial Credit Commission may make regulations not inconsistent with this Act,—

(*a*) prescribing the rules of procedure in respect of applications for licenses and other proceedings under this Act;

(*b*) prescribing the forms for licenses and application for licenses and the manner governing such applications;

(*c*) prescribing the forms and procedure for taking an appeal from the Provincial Credit Commission to the Social Credit Board under this Act;

(*d*) classifying licenses and licensees and prescribing and regulating the fees including methods of ascertaining or calculating or determining the fees to be paid for licenses;

(*e*) prescribing the privileges, terms, conditions, limitations and restrictions to be granted to or observed by any licensee;

(*f*) prescribing the conditions upon which licenses may be issued and providing for the revocation, suspension or withholding of licenses;

(*g*) for the collection of the license fees, designating the persons by whom the same shall be collected;

(*h*) generally for the better carrying out of the purposes of this Act.

Coming into force of Act

11. This Act shall come into force on the day upon which it is assented to.

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APPENDICES

Appendix I—Various Statistical Tables

Appendix II